

# JOINING UP IN THE FIGHT AGAINST UNDECLARED WORK IN EUROPE

Feasibility study on establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work

- Final Report -



**REGIOPLAN**  
BELEIDSONDERZOEK



## **JOINING UP IN THE FIGHT AGAINST UNDECLARED WORK IN EUROPE**

**Feasibility study on establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work**

- Final Report -

Helga Dekker  
Elske Oranje  
Piet Renooy  
Francien Rosing  
Collin Williams

RegioPlan reference number: 1969  
Amsterdam, December 2010

RegioPlan Policy Research  
Nieuwezijds Voorburgwal 35  
1012 RD Amsterdam  
Tel.: +31 (0)20 - 5315315  
Fax : +31 (0)20 - 6265199

Research carried out by RegioPlan Policy Research on behalf of the Commission of the European Communities, Employment, Social Affairs and Equal Opportunities DG



The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

This publication is commissioned under the European Community Programme for Employment and Social Solidarity – PROGRESS (2007-2013).

This programme is managed by the Directorate-General for Employment, social affairs and equal opportunities of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitment. PROGRESS will be instrumental in:

- providing analysis and policy advice on PROGRESS policy areas;
- monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas;
- promoting policy transfer, learning and support among Member States on EU objectives and priorities; and
- relaying the views of the stakeholders and society at large

For more information see:

[http://ec.europa.eu/employment\\_social/progress/index\\_en.html](http://ec.europa.eu/employment_social/progress/index_en.html)

## PREFACE

In December 2009, the European Commission (Employment, Social Affairs and Equal Opportunities DG) asked a Research Consortium formed by Regioplan Beleidsonderzoek (Amsterdam, the Netherlands), Centre for Study of the Democracy/Project 1 (Sofia, Bulgaria), the University of Sheffield (UK) and prof. Charles Woolfson, currently visiting professor at the University of Linköping (SE) to conduct a study on the feasibility of establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work. The work of the Research Consortium was coordinated by Regioplan and took place between January and October 2010.

The present report was jointly written by the following team members:

- Helga Dekker (Regioplan)
- Elske Oranje (Regioplan)
- Piet Renooy (Regioplan)
- Francien Rosing (Regioplan)
- Colin Williams (University of Sheffield)

Valuable contributions in designing and conducting the research were made by team members:

- Daniela Mineva (CSD, Bulgaria)
- Ruslan Stefanov (CSD, Bulgaria)
- Charles Woolfson (University of Linköping)

During the research Jan Cremers (AIAS, Amsterdam) and Roeland Hartman (Holland Law) gave us valuable advice.

Within the framework of the feasibility study workshops (April and May 2010) and a final seminar (June 2010) were held. These meetings were attended by representatives of labour inspectorates and other government bodies, social partners, international organisations, other external experts and representatives of the Commission staff. The team members would like to thank all the participants of the workshops and the seminar for their contributions. We are also very grateful for the input to the study made by the many officials that responded to our web questionnaire and to those who were so kind to cooperate with us in interviews on the subject.

To conclude, we would like to thank our contacts at the European Commission, Sjoerd Feenstra, Maria Panker, Guido Vanderseyen, Radek Casta, Matteo Governatori and P. Paramo Montero for their support of our work.



## TABLE OF CONTENTS

<b>Executive summary (EN)</b> .....	I
<b>Executive summary (D)</b> .....	VII
<b>Executive summary (FR)</b> .....	XIII
<b>1 Introduction</b> .....	<b>1</b>
1.1 EU policy background .....	1
1.2 Undeclared work as a study object .....	2
1.3 Policy measures in the Member States.....	9
1.4 Legal and institutional context.....	10
1.5 Study objectives and methodology.....	11
<b>2 Main characteristics of institutional and inspection framework</b> .....	<b>13</b>
2.1 Introduction.....	13
2.2 Institutional arrangements .....	13
2.3 Policy approaches .....	19
2.4 International collaboration .....	22
2.5 Conclusions .....	28
<b>3 Problems and solutions in dealing with UDW</b> .....	<b>31</b>
3.1 Introduction.....	31
3.2 Enforcement bodies.....	31
3.3 Cross-border cooperation.....	33
3.4 Conclusions .....	37
<b>4 EU-level cooperation in other sectors</b> .....	<b>39</b>
4.1 Introduction.....	39
4.2 Case studies.....	39
4.3 Current forms of cooperation.....	60
4.4 Obstacles and benefits .....	61
4.5 Conclusions .....	64
<b>5 Feasibility of a European Platform on undeclared work</b> .....	<b>65</b>
5.1 Introduction.....	65
5.2 The dimensions of analysis .....	65
5.3 The options for a European platform.....	68
5.4 Assessing the feasibility of alternatives.....	82
5.5 The preferred design of a platform .....	88
<b>References</b> .....	<b>99</b>
<b>Annexes</b> .....	<b>105</b>
Annex 1 Methodology .....	107
Annex 2 Web-based questionnaire .....	111
Annex 3 Interviews: list of stakeholders/interviewees .....	127
Annex 4 Workshops: list of participants.....	131
Annex 5 Country profiles .....	135
Annex 6 Summary relevant institutions .....	257





## **Joining up in the fight against undeclared work in Europe**

### **Feasibility study on establishing a European platform for cooperation between labour inspectorates and other relevant monitoring and enforcement bodies to prevent and fight undeclared work**

#### **- Final Report -**

## **EXECUTIVE SUMMARY**

The aim of this study is to provide the Commission with an independent in-depth analysis on the feasibility and added value of creating a European platform for cooperation between labour inspectorates and other relevant monitoring and enforcement bodies to prevent and fight undeclared work.

The study includes all EU Member States as well as the countries of the EEA and Switzerland. Desk research, a web-based survey in all countries, interviews and five international expert workshops are included as methods of research. The project started in January 2010 and was finalised in October of that year.

#### **Undeclared work as a study object**

Undeclared work is a complex, heterogeneous phenomenon influenced by a wide range of economic, social, institutional and cultural factors. It is held responsible for obstructing growth-oriented economic, budgetary and social policies, and in particular for lowering work quality standards, creating risks for the health and safety of workers, putting at risk the financial sustainability of social protection systems and undermining the competitive environment for businesses.

Although no official definition of undeclared work exists, there is a broad consensus on what is included and excluded. In this project, this consensus is reflected by defining undeclared work as *'any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States'* (European Commission, 2007: 2). In this context, the only difference between undeclared and declared work is that undeclared work is not declared to the authorities for tax, social security and/or labour law purposes.

#### **Main characteristics of institutional and inspection framework**

Throughout Europe, a broad diversity is found in the way undeclared work is approached in national policy and in the institutional structure of the Member States. In several countries some kind of central coordination to tackle undeclared work exists, like in Germany (a single compliance unit), Italy, Lithuania and Slovenia. In other countries, like Denmark, undeclared work is mainly the responsibility of one department, namely the tax authority. And yet other

Members States divide the responsibilities across different ministries, agencies or executing bodies, like in the Netherlands.

In most states, there is cooperation between several departments in which one department is in charge of combating undeclared work. This leading department is usually located within one of the three 'pillars' that are involved with undeclared work:

- Labour - labour law, Ministry of Labour, labour inspectorates; or
- Social security - Ministry of Social Affairs, social insurance boards; or
- Finance - taxes, Ministry of Finance or tax authorities.

On an international level cooperation seems to concentrate on very particular issues regarding undeclared work within one specific 'pillar', such as health and safety issues among labour inspectorates (e.g. SLIC, CIBELES). Or, alternatively, such international cooperation is confined to bilateral agreements or agreements between a few Member States. In these cases, cooperation mostly covers only one of the issues related to undeclared work, such as labour law, tax or social security. International cooperation does not cover undeclared work as a whole. The temporary network for Implementing Cooperation in a European Network against Undeclared Work (ICENUW) is a notable exception in this respect.

Policy measures are still very much focused on deterrence and measures to improve detection. Few measures are targeted at preventing undeclared work or at fostering compliance.

### **Tackling undeclared work: problems and obstacles**

The study identified the main difficulties faced by national enforcement agencies in detecting, preventing and combating undeclared work.

On a national level, fighting undeclared work is often hampered by a lack of a sense of urgency. The fact that both employers and employees often benefit from undeclared work in the short run leads to tolerance concerning undeclared work. This makes it more complicated for agencies combating undeclared work. On a national level a lack of cooperation between relevant institutions, like tax and social security authorities, also hinders effective policy. A lack of resources is often mentioned as a problem in the fight against undeclared work as well.

International cooperation is hampered by a high level of variation in national regulatory systems in the realms of undeclared work, be it in terms of labour regulations, tax systems or social security regulations. Therefore, efforts to enforce measures against cross-border undeclared work are undermined by operational shortcomings in information exchange (different systems, language, rules, definitions, knowledge), privacy issues and matters of national sovereignty.

The sense of urgency can also be an obstacle in international cooperation. A high priority of combating a certain type of undeclared work in one country can easily be frustrated by the lack of priority in another country that needs to cooperate in these initiatives. When looking at cross-border cooperation, it seems that the most successful ones are those in which countries participate that have strong mutual interests.

### **EU-level cooperation in other sectors**

This study identified other realms where there has been cross-border cooperation and learned from them about the obstacles and challenges associated with establishing a European platform. The tasks and objectives of these platforms vary from information exchange (personal and non-personal) and expert groups to coordination on operational cooperation.

The most important obstacles experienced involve the institutional differences between the Member States and the ensuing different roles and responsibilities of representatives and partners. Other problems involve the legitimacy and sovereignty of the issue, cultural differences, differences in Member State legislation, division of tasks, funding, voluntary participation and confidentiality of information.

The main benefit concerns the ability to solve European-wide problems that call for a cross-border approach. Other benefits include mutual learning from a broad perspective and active involvement of Member States.

### **Feasibility of a platform**

To tackle the problems and obstacles previously identified, the objectives of a European platform on undeclared work might be:

- to develop (operational) cooperation between Member States,
- to develop a specific expertise or capacity in fighting undeclared work,
- to raise awareness/provide information on undeclared work.

The study looked at a range of different available options and possible variants (the 'building blocks') for a platform. These include institutional structure, tasks, scope, membership and start-up phase.

Taking into account the fit with the objectives and stakeholder views collected at workshops and from interviews, three possible designs were distinguished. The feasibility of these designs was assessed on the basis of financial/administrative costs, implementation and legal aspects.

Given the outcome of the assessment, the preferred design should have the following features:

The institutional structure should not be too complex or have an elaborate permanent structure which an agency might have. A network or expert group would better suit the objectives and match the stakeholders' preferences. Tasks should at least include capacity building and the sharing of information, but developing cooperation is also considered to be very valuable.

The scope should be extensive and include cross-border as well as national issues. A focus on just national issues (e.g. develop database on ‘best practice’) or just cross-border issues (e.g. information exchange, migration) seems to be too limited.

Different agencies are responsible for different facets of the fight against undeclared work. The result is that it is probably very difficult for Member States to identify one or two representatives to join the platform. Therefore, membership should not be limited to representativeness from just labour inspectorates. Members could also come from other bodies like tax administrations, social security administrations and, if relevant, executive bodies, employer organisations, unions, groups of experts/academics and NGOs.

Many European platforms start as small informal networks or expert groups and then become more formal bodies, with more members. Another option is to invite all Member States right from the start, giving the members the opportunity to address multiple issues associated with undeclared work. In the start-up phase this last option is preferred, not only because it would fit the objectives better but also because it would avoid the difficult issues of selecting how many could join, who could join or who could join on the basis of what single subject.

#### Key features of the preferred design of a platform on undeclared work

Title	Expert Network on Undeclared Work
<b>Institutional structure</b>	Network
<b>Tasks</b>	Cooperation Capacity building Sharing of information
<b>Scope</b>	Cross-border issues and national issues
<b>Membership</b>	All relevant representatives of organisations dealing with undeclared work Experts on the ‘pillars’ of tax, social security or labour
<b>Start-up phase</b>	All Member States are members right from the start
<b>Conditions</b>	Public and political support is a condition for success. Goals, tasks and membership should therefore be well defined and formulated. In addition, a time frame should be set for conducting a review and evaluation of the efficiency and effectiveness of this platform in meeting its objectives.

Members of this Expert Network will not be remunerated for the services they render and communication will for the most part be done electronically.

The Commission will provide for the time of staff members for the Secretariat and will allocate an annual budget for the platform. All other expenses related to the activities of the expert group will be paid by a contribution of the Member States. Having members pay a small fee to participate will also enhance commitment to the group.

Tackling undeclared work cannot be achieved effectively without improvements in administrative cooperation between Member States regarding intelligence on tackling undeclared work in general and cross-border undeclared work practices more particularly. A Community framework for such cooperation is far more effective than bilateral arrangements between all the Member States, which may leave some Member States without full and rapid access to information. Similarly, in view of the possible growth of cross-border undeclared work practices, coordinated action to combat undeclared work at EU level is preferable to a national or even multilateral approach, which might be detrimental to some Member States by encouraging undeclared work in their territory.



## **Zusammen im Kampf gegen die Schwarzarbeit in Europa**

### **Durchführbarkeitsstudie über die Gründung einer europäischen Plattform zur Zusammenarbeit zwischen Arbeitsaufsichtsbehörden und anderen relevanten Kontroll- und Vollzugsbehörden zur Verhinderung und Bekämpfung nicht angemeldeter Erwerbstätigkeit (Schwarzarbeit)**

**- Letzter Berichtsentwurf -**

#### **KURZZUSAMMENFASSUNG**

Diese Studie verfolgt das Ziel, der Kommission eine unabhängige und detaillierte Analyse über die Durchführbarkeit und den zusätzlichen Nutzen einer europäischen Plattform zwecks Zusammenarbeit von Arbeitsaufsichtsbehörden und anderen relevanten Kontroll- und Vollzugsbehörden zur Verhinderung und Bekämpfung von Schwarzarbeit bereitzustellen.

An der Studie sind alle EU-Mitgliedsstaaten sowie die EWR-Länder und die Schweiz beteiligt. Als Untersuchungsmethoden wurden Sekundärforschung, eine Internet-Umfrage in allen Ländern, Interviews und fünf internationale Experten-Workshops gewählt. Der Startschuss für das Projekt fiel im Januar 2010, abgeschlossen wurde es im Oktober desselben Jahres.

#### **Schwarzarbeit als Studienobjekt**

Schwarzarbeit ist ein komplexes, heterogenes Phänomen, das von einer Vielzahl wirtschaftlicher, sozialer, institutioneller und kultureller Faktoren beeinflusst wird. Schwarzarbeit wird dafür verantwortlich gemacht, eine wachstumsorientierte Wirtschaft zu hemmen, die Budget- und Sozialpolitik zu erschweren und insbesondere Arbeitsbedingungen sowie Gesundheits- und Sicherheitsrisiken für Arbeiter zu verschlechtern, die finanzielle Nachhaltigkeit sozialer Absicherungssysteme zu gefährden und die Wettbewerbssituation für Unternehmen zu unterminieren.

Obwohl es keine offizielle Definition für Schwarzarbeit gibt, ist man sich im Allgemeinen darüber einig, welche Faktoren zur Schwarzarbeit zählen und welche nicht. In diesem Projekt wird Schwarzarbeit wie folgt definiert: *‘Jedwede Art von bezahlten Tätigkeiten, die von ihrem Wesen her keinen Gesetzesverstoß darstellen, den staatlichen Behörden aber nicht gemeldet werden, wobei in den einzelnen Mitgliedstaaten jedoch unterschiedliche gesetzliche Rahmenbedingungen gegeben sind.’* (Europäische Kommission 2007: 2). In diesem Zusammenhang besteht der einzige Unterschied zwischen Schwarzarbeit und gemeldeter Arbeit darin, dass Schwarzarbeit aus steuerlichen, arbeitsrechtlichen und/oder Sozialversicherungsgründen den Behörden nicht gemeldet wird.

### **Hauptmerkmale institutioneller Rahmenbedingungen und eines Kontrollrahmenwerks**

In Europa gibt es in der Politik der einzelnen Länder sowie der institutionellen Struktur der Mitgliedsstaaten die unterschiedlichsten Ansätze zum Thema Schwarzarbeit. In einigen Ländern existiert eine Art zentraler Koordination zur Bekämpfung nicht angemeldeter Erwerbstätigkeit, wie beispielsweise in Deutschland (eine einzelne Stelle zur Einhaltung der Vorschriften), Italien, Litauen und Slowenien. In anderen Ländern, wie etwa Dänemark, ist für Schwarzarbeit vorwiegend eine Stelle verantwortlich, nämlich die Steuerbehörde. Wieder andere Mitgliedsstaaten, wie beispielsweise die Niederlande, teilen die Zuständigkeit zwischen verschiedenen Ministerien, Ämtern oder Vollzugsbehörden auf.

In den meisten Staaten arbeiten mehrere Stellen zusammen, von denen eine mit der Bekämpfung von Schwarzarbeit betraut ist. Die maßgebliche Behörde gehört für gewöhnlich zu einer der drei „Säulen“, die sich mit Schwarzarbeit beschäftigen:

- Arbeit – Arbeitsrecht, Arbeitsministerium, Arbeitsaufsichtsbehörden;
- Soziale Sicherheit – Sozialministerium, Sozialversicherungsanstalten;
- Finanzen – Steuern, Finanzministerium oder Finanzämter.

Auf internationaler Ebene scheint sich die Zusammenarbeit auf ganz besondere Fragen, die nicht angemeldete Arbeit innerhalb eines bestimmten „Pfeilers“ betreffen, zu konzentrieren. Dazu gehören Gesundheits- und Sicherheitsfragen zwischen Arbeitsaufsichtsbehörden (z. B. SLIC, CIBELES). Alternativ dazu ist eine solche internationale Zusammenarbeit auf bilaterale Übereinkommen oder Abkommen zwischen wenigen Mitgliedsstaaten beschränkt. Diese Kooperation deckt dabei vorwiegend Themen ab, die mit Schwarzarbeit zu tun haben, u.a. Arbeitsrecht, Steuern, soziale Sicherheit. Die internationale Zusammenarbeit beschäftigt sich nicht mit Schwarzarbeit als Ganzem. In dieser Hinsicht bildet die temporäre Arbeitsgruppe ‘Implementing Cooperation in a European Network against Undeclared Work’ (ICENUW) eine bemerkenswerte Ausnahme.

Der Schwerpunkt politischer Aktivitäten liegt noch immer auf einer Abschreckungspolitik und Maßnahmen für eine verbesserte Aufdeckung. Nur wenige Maßnahmen zielen auf die Vermeidung von Schwarzarbeit oder eine verstärkte Einhaltung von Vorschriften ab.

### **Bekämpfung nicht angemeldeter Erwerbstätigkeit: Probleme und Hindernisse**

Die Studie zeigte, dass für nationale Vollzugsbehörden die Hauptschwierigkeit in der Erkennung, Vermeidung und Bekämpfung von Schwarzarbeit liegt.

Auf nationaler Ebene wird der Kampf gegen Schwarzarbeit oftmals dadurch erschwert, dass diesem Thema nicht die erforderliche Dringlichkeit zuerkannt wird. Da kurzfristig sowohl Arbeitgeber als auch Arbeitnehmer von Schwarzarbeit profitieren, wird sie oft toleriert und damit der Kampf der Behörden dagegen erschwert. Weiterhin mangelt es auf nationaler Ebene an Kooperation zwischen den zuständigen Institutionen, wie Finanzämtern und Sozialbehörden, wodurch eine effektive Politik verhindert wird. Als Problem im Kampf gegen Schwarzarbeit wird auch oftmals der Mangel an Ressourcen erwähnt.

Die internationale Zusammenarbeit in Bezug auf Schwarzarbeit wird durch die großen Unterschiede der nationalen Regulierungssysteme, seien es arbeitsrechtliche Vorschriften, Steuersysteme und Richtlinien zur sozialen Sicherheit, erschwert. Daher gibt es bei Bemühungen, die sich gegen grenzüberschreitende Schwarzarbeit richten, oftmals



Probleme bezüglich Ablaufs des Informationsaustausches (verschiedene Systeme, Sprachen, Gesetze, Definitionen, Kenntnisse), Datenschutz und nationaler Souveränität. Auch die mangelnde Dringlichkeit, die diesem Thema beigemessen wird, kann für die internationale Kooperation ein Hindernis darstellen. Die Bekämpfung einer bestimmten Art von Schwarzarbeit, die in einem Land eine hohe Priorität hat, kann in einem anderen Land, das sich eigentlich bei diesen Maßnahmen kooperativ zeigen sollte, einfach durchkreuzt werden, weil sie dort keine Priorität hat. Wirft man einen Blick auf grenzüberschreitende Zusammenarbeit, scheint diese am erfolgreichsten zwischen jenen Ländern zu sein, die ein starkes gegenseitiges Interesse verfolgen.

### **EU-weite Kooperation in anderen Bereichen**

In dieser Studie wurden auch andere Bereiche aufgedeckt, in denen es bereits eine grenzüberschreitende Zusammenarbeit gibt. Diese dienen als Beispiele für Hindernisse und Herausforderungen beim Aufbau einer europäischen Plattform. Die Aufgaben und Ziele dieser Plattformen variieren von Informationsaustausch (persönlich und nicht persönlich) und Expertengruppen bis hin zur Koordination der operativen Zusammenarbeit.

Die größten Probleme betreffen die Unterschiede der Institutionen in den einzelnen Mitgliedsstaaten und die daraus resultierenden unterschiedlichen Funktionen und Verantwortlichkeiten von Beauftragten und Partnern in diesen Ländern. Weitere Probleme sind die Legitimität und Souveränität in Bezug auf die Thematik, kulturelle Unterschiede, unterschiedliche Gesetzgebungen in den Mitgliedsstaaten, Aufgabenverteilung, Finanzierung, freiwillige Teilnahme und Datenschutz.

Der größte Vorteil besteht in der Möglichkeit, europaweite Probleme, die eines grenzüberschreitenden Ansatzes bedürfen, lösen zu können. Andere Vorteile sind gegenseitiges Lernen aus einer breiten Perspektive heraus und aktive Einbindung der Mitgliedsstaaten.

### **Durchführbarkeit einer Plattform**

Zur Lösung der vorhin genannten Probleme und Beseitigung der Hindernisse könnten die Ziele einer europäischen Plattform gegen Schwarzarbeit folgende sein:

- Entwicklung einer (operativen) Zusammenarbeit zwischen Mitgliedsstaaten
- Entwicklung spezifischer Fachkenntnisse oder Kompetenzen beim Kampf gegen Schwarzarbeit
- Bewusstseinsbildung/Bereitstellung von Informationen zum Thema Schwarzarbeit

In der Studie wurde eine Reihe verschiedener verfügbarer Optionen und Varianten (Bausteine) für die Entwicklung einer Plattform untersucht. Dazu zählen institutionelle Struktur, Aufgaben, Umfang, Mitgliedschaft und Anlaufphase.

Unter Berücksichtigung der definierten Ziele sowie der in Workshops und Gesprächen gesammelten Ansichten der Interessengruppen wurden drei mögliche Konstellationen unterschieden, deren Umsetzbarkeit auf Basis von finanziellen/administrativen Kosten, Implementierungsmöglichkeiten und gesetzlichen Aspekten beurteilt wurde.

Aufgrund der Ergebnisse dieser Bewertung sollte die bevorzugte Konstellation folgende Merkmale tragen:

Die institutionelle Struktur sollte nicht zu komplex sein oder eine zu komplizierte permanente Struktur, wie möglicherweise die einer Behörde aufweisen. Ein Netzwerk oder eine Expertengruppe wäre besser geeignet, die Ziele zu erreichen und den Vorstellungen der Interessengruppen zu entsprechen.

Die Aufgaben sollten zumindest die Kompetenzentwicklung und den Informationsaustausch umfassen, aber die Entwicklung einer Zusammenarbeit wird auch als sehr wertvolle Aufgabe angesehen.

Es sollte ein extensiver Umfang, einschließlich der Bezugnahme auf grenzüberschreitende und nationale Angelegenheiten, erreicht werden. Eine Fokussierung auf nationale Angelegenheiten (z.B. Aufbau einer Datenbank über optimale Verfahren) oder ausschließlich grenzüberschreitende Fragen (z.B. Informationsaustausch, Migration) erscheint zu eingeschränkt.

Für die unterschiedlichen Facetten des Kampfes gegen Schwarzarbeit tragen verschiedene Stellen die Verantwortung. Infolgedessen wird es für Mitgliedsstaaten wahrscheinlich sehr schwierig sein, ein oder zwei Beauftragte zu benennen, die der Plattform beitreten. Daher sollte sich die Mitgliedschaft nicht auf Vertreter von Arbeitsaufsichtsbehörden beschränken, sondern auch andere Behörden wie Steuerbehörden, für soziale Sicherheit zuständige Stellen und gegebenenfalls Vollzugsbehörden, Unternehmensorganisationen, Gewerkschaften, Experten-/Akademikergruppen und NGOs einbeziehen.

Viele europäische Plattformen waren zu Beginn kleine informelle Interessengemeinschaften oder Expertengruppen und wurden in weiterer Folge dann zu formelleren Organen mit einer höheren Mitgliederzahl. Eine andere Möglichkeit besteht darin, alle Mitgliedsstaaten gleich von Beginn an zur Teilnahme einzuladen und so den Mitgliedern zu ermöglichen, sich bei den verschiedensten Themen rund um Schwarzarbeit einzubringen. In der Anlaufphase wird diese zuletzt genannte Option bevorzugt, nicht nur weil sie besser zu den Zielen passt, sondern auch weil dadurch schwierige Fragen einer Auswahl vermieden werden, z.B.: Wie viele Mitglieder können teilnehmen, wer nimmt überhaupt teil, oder auf der Basis welchen Einzelthemas nimmt jemand teil?

## Hauptmerkmale einer Plattform gegen Schwarzarbeit in der bevorzugten Form

Titel	Expertennetzwerk für Schwarzarbeit
<b>Institutionelle Struktur</b>	Netzwerk
<b>Aufgaben</b>	Zusammenarbeit Kompetenzentwicklung Teilen von Informationen
<b>Umfang</b>	Grenzüberschreitend und auf nationaler Ebene
<b>Mitgliedschaft</b>	Alle relevanten Vertreter von Organisationen, die mit Schwarzarbeit zu tun haben Experten für die "Pfeiler" steuerliche, arbeitsrechtliche und Sozialversicherungsfragen
<b>Start-up-Phase</b>	Alle Mitgliedsstaaten sind von Beginn an Mitglieder
<b>Bedingungen</b>	Die Unterstützung durch Öffentlichkeit und Politik ist für den Erfolg maßgeblich. Ziele, Aufgaben und Mitgliedschaft sollten daher gut definiert und formuliert werden. Zusätzlich sollte ein Zeitrahmen festgelegt werden, um eine Begutachtung durchzuführen sowie Effizienz und Wirksamkeit dieser Plattform im Hinblick auf die zu erreichenden Ziele zu bewerten. Die Mitgliedschaft oder Teilnahme sollte nicht frei von Verpflichtungen sein.

Die Mitglieder dieses Expertennetzwerkes werden kein Entgelt für die erbrachten Dienstleistungen erhalten und die Kommunikation wird größtenteils auf elektronischem Weg erfolgen.

Die Kommission wird bis auf Weiteres Mitarbeiter für das Sekretariat sowie ein jährliches Budget für die Plattform zur Verfügung stellen. Alle anderen Ausgaben, die sich auf die Aktivitäten der Expertengruppe beziehen, werden durch Beiträge der Mitgliedsstaaten abgedeckt. Durch Verpflichtung der Mitglieder zur Zahlung einer geringfügigen Gebühr wird auch die Bindung an die Gruppe gefestigt.

Die effektive Bekämpfung von Schwarzarbeit ist ohne eine verbesserte administrative Zusammenarbeit zwischen den Mitgliedsstaaten nicht möglich. Diese Zusammenarbeit bezieht sich auf Informationen zur Bekämpfung von Schwarzarbeit im Allgemeinen und grenzüberschreitenden Methoden der Schwarzarbeit im Besonderen. Für eine solche Kooperation ist ein Rahmenwerk der Gemeinschaft bei Weitem effektiver als bilaterale Abkommen zwischen den Mitgliedsstaaten, da einige von diesen möglicherweise nicht vollständig und rasch auf Informationen zugreifen können. Ebenso sind angesichts des möglichen Anstiegs grenzüberschreitender Schwarzarbeitspraktiken koordinierte Maßnahmen zur Bekämpfung von Schwarzarbeit auf EU-Ebene einem nationalen oder sogar multilateralen Ansatz zu bevorzugen, da sich diese Ansätze nachteilig auf einige Mitgliedsstaaten auswirken könnten, weil Schwarzarbeit auf ihrem Territorium gefördert wird.



## **S'engager dans la lutte contre le travail au noir en Europe**

### **Étude de faisabilité relative à l'établissement d'une plate-forme européenne de coopération entre les inspections du travail et d'autres organismes de surveillance et d'exécution concernés afin de prévenir et de lutter contre le travail au noir**

#### **- Rapport Final -**

### **RESUME OPÉRATIONNEL**

L'objectif de la présente étude est de fournir à la Commission une analyse indépendante approfondie de la faisabilité et de la valeur ajoutée d'une future plate-forme européenne de coopération entre les inspections du travail et d'autres organismes de surveillance et d'exécution concernés afin de prévenir et de lutter contre le travail au noir.

La présente étude inclut tous les États membres de l'UE, ainsi que des pays de l'EEE et la Suisse. Diverses méthodes de recherche ont été utilisées: l'étude documentaire, une enquête en ligne dans tous les pays, des interviews et cinq ateliers d'experts internationaux. Le projet initié en janvier 2010 a été finalisé en octobre de cette année.

#### **Le travail au noir comme sujet d'étude**

Le travail au noir est un phénomène complexe et hétérogène, influencé par de très nombreux facteurs économiques, sociaux, institutionnels et culturels. Il ferait obstacle aux politiques économiques, budgétaires et sociales orientées sur la croissance ; il serait notamment responsable du repli qualitatif des conditions de travail, induirait des risques pour la santé et la sécurité des travailleurs, mettrait en péril la durabilité financière des systèmes de protection sociale et saperait la compétitivité des entreprises.

Bien qu'il n'existe aucune définition officielle du travail au noir, les éléments qui y sont inclus et en sont exclus font généralement l'objet d'un consensus. Dans ce projet, ce consensus se traduit par la définition suivante donnée au travail au noir: *'toute activité rémunérée qui est licite quant à sa nature, mais n'est pas déclarée aux pouvoirs publics, en tenant compte des différences entre les systèmes de réglementation des États membres'* (Commission européenne, 2007: 2). Dans ce contexte, la seule différence entre le travail au noir et le travail déclaré est que le travail au noir n'est pas déclaré aux autorités à des fins fiscales, de sécurité sociale et/ou de droit du travail.

#### **Principales caractéristiques du cadre institutionnel et d'inspection**

L'approche du travail au noir dans les politiques domestiques et la structure institutionnelle des États membres est très variable dans toute l'Europe. Plusieurs pays mettent en œuvre une approche centrale coordonnée de lutte contre le travail au noir, comme en Allemagne

(une seule unité de contrôle), en Italie, en Lituanie et en Slovénie. Dans d'autres pays, comme au Danemark, le travail au noir incombe principalement à un seul département, à savoir les autorités fiscales. D'autres États membres encore – dont les Pays-Bas – répartissent les responsabilités entre différents ministères, agences ou organismes d'exécution.

Dans la plupart des États, une coopération entre plusieurs départements est mise en place, un département s'attellant plus particulièrement à la lutte contre le travail au noir. Ce dernier est habituellement imbriqué dans l'un des trois 'piliers' impliqués dans la lutte contre le travail au noir:

- Emploi – droit du travail, Ministère de l'Emploi, Inspections du travail; ou
- Sécurité sociale – Ministère des Affaires sociales, Comités d'assurance sociale; ou
- Finance - taxes, Ministère des Finance ou autorités fiscales.

Au niveau international, la coopération semble se concentrer sur des questions bien circonscrites en matière de travail au noir dans un 'pilier' spécifique, dont les questions de santé et de sécurité dans les inspections du travail (par exemple, CHRIT, CIBELES). À défaut, cette coopération internationale est confinée à des conventions bilatérales ou à des accords entre quelques États membres. Dans ces cas, la coopération ne concerne principalement que l'un des sous-aspects du travail au noir, comme le droit du travail, les impôts ou la sécurité sociale. La coopération internationale ne couvre pas l'ensemble de la problématique du travail au noir. Le réseau temporaire *Implementing Cooperation in a European Network against Undeclared Work* (ICENUW) constitue à cet égard une exception notable.

Les mesures stratégiques se concentrent toujours majoritairement sur la dissuasion et sur le renforcement de la détection. Les mesures de prévention du travail au noir ou de renforcement de l'exécution sont en revanche peu nombreuses.

### **La lutte contre le travail au noir: problèmes et obstacles**

L'étude a identifié les principales difficultés rencontrées par les organismes d'exécution nationaux dans le cadre de la détection, de la prévention et de la lutte contre le travail au noir.

Au niveau national, la lutte contre le travail au noir est souvent entravée par l'absence de tout sentiment d'urgence. Le fait que les employeurs et les collaborateurs retirent souvent, à court terme, un bénéfice du travail au noir induit une certaine tolérance à son égard, ce qui complique d'autant le travail des organismes de lutte. Au niveau national toujours, un manque de coopération entre les institutions concernées, comme les autorités fiscales et celles en charge de la sécurité sociale, entrave également la mise en œuvre d'une politique efficace. Un manque de ressources est aussi souvent épinglé pour expliquer les problèmes rencontrés par la lutte contre le travail au noir.

La coopération internationale est entravée par les divergences profondes entre les systèmes de réglementation domestiques de lutte contre le travail au noir, que ce soit en termes de législations sur le travail, de systèmes fiscaux ou de réglementations de sécurité sociale. Les efforts de mise en œuvre de mesures transfrontalières de lutte contre le travail au noir sont dès lors fréquemment sapés par des lacunes opérationnelles en matière d'échange

d'information (différents systèmes, langues, règles, définitions, connaissances), ainsi que par des difficultés liées au respect de la vie privée et à la souveraineté nationale.

Le sentiment d'urgence peut aussi être un obstacle à la coopération internationale. Une priorité élevée dans la lutte contre un certain type de travail au noir dans un pays peut aisément être contrariée par l'absence de priorité dans un autre État devant apporter son concours à ces initiatives. L'examen de la coopération transfrontalière fait apparaître que les coopérations qui s'appuient sur la participation de pays ayant de solides intérêts communs, sont les plus fructueuses.

### **Coopération au niveau communautaire dans d'autres secteurs**

Cette étude a identifié d'autres domaines de coopération transfrontalière et en a retiré des enseignements en matière d'obstacles et de défis inhérents à l'établissement d'une plateforme européenne. Les tâches et objectifs de ces plates-formes varient de l'échange d'informations (personnelles et non personnelles) à la constitution de groupes d'experts en passant par la coordination en matière de coopération opérationnelle.

Les obstacles majeurs rencontrés concernent les différences institutionnelles entre les États membres et les rôles et responsabilités différents des représentants et partenaires qui en résultent. D'autres problèmes concernent la légitimité et la souveraineté de cette matière, les différences culturelles, les différences d'approches législatives entre États membres, la répartition des tâches, le financement, la participation volontaire et la confidentialité des informations.

Le principal avantage concerne la capacité à résoudre, à l'échelle européenne, des problèmes nécessitant une approche transfrontalière. Parmi les autres avantages, citons l'apprentissage mutuel sous un angle élargi et l'implication active d'États membres.

### **Faisabilité d'une plate-forme**

Pour aborder les problèmes et les obstacles précédemment identifiés, les objectifs poursuivis par une plate-forme européenne sur le travail au noir pourraient être:

- le développement de la coopération (opérationnelle) entre États membres,
- la mise en place d'une expertise ou d'une capacité spécifique dans la lutte contre le travail au noir,
- la sensibilisation/la fourniture d'informations à propos du travail au noir.

L'étude a examiné toute une série d'options disponibles et de variantes potentielles (les 'éléments de construction') d'une plate-forme, parmi lesquelles nous pouvons citer la structure institutionnelle, les tâches, l'ampleur, l'affiliation et la phase de démarrage.

En tenant compte de l'adéquation avec les objectifs et des points de vue exprimés par les intervenants lors d'ateliers et d'entretiens, trois modèles potentiels ont été distingués. La faisabilité de ces modèles a été évaluée en tenant compte des coûts financiers/administratifs, ainsi que des aspects juridiques et de mise en œuvre.

Les conclusions de l'évaluation ont permis d'affirmer que le modèle idéal présenterait les caractéristiques suivantes:

La structure institutionnelle ne devrait pas être trop complexe ni disposer d'une structure permanente complexe propre à une agence. Un réseau ou un groupe d'experts serait plus à même de concrétiser les objectifs et de se conformer aux préférences des intervenants. Parmi les tâches à accomplir, citons à tout le moins le renforcement des capacités et le partage d'informations, même si le développement de la coopération est également considéré comme très utile.

Son ampleur devrait être étendue et inclure des questions transfrontalières et domestiques. La volonté de se concentrer uniquement sur les questions domestiques (par exemple, mise au point d'une base de données des 'meilleures pratiques') ou sur les questions transfrontalières (par exemple, échange d'information, migration) semble trop limitée.

Plusieurs agences sont chargées de différentes facettes de la lutte contre le travail au noir. Il en résulte dès lors que les États membres éprouveront probablement beaucoup de difficultés à identifier un ou deux représentants pour cette plate-forme. La qualité de membre ne devrait donc pas être limitée à des représentants des seules inspections du travail. Les membres pourraient aussi provenir d'autres organismes, comme les administrations fiscales ou de sécurité sociale et, s'il échet, d'organismes d'exécution, d'organisations patronales, d'organisations syndicales, de groupes d'experts/universitaires et d'ONG.

De nombreuses plates-formes européennes débutent sous la forme de modestes réseaux ou groupes d'experts informels avant d'officialiser leurs travaux et d'accueillir davantage de membres. Une autre solution consiste à inviter tous les États membres dès le départ, en donnant aux membres la possibilité d'aborder de multiples questions liées au travail au noir. Cette dernière option est préférable au cours de la phase de démarrage, non seulement parce qu'elle permettrait de mieux répondre aux objectifs, mais aussi parce qu'elle permettrait d'éviter les questions épineuses du nombre et du choix des participants en fonction du sujet abordé.



## Principales caractéristiques du modèle préféré de plate-forme de lutte contre le travail au noir

Titre	Réseau d'experts sur le travail au noir
<b>Structure institutionnelle</b>	Réseau
<b>Tâches</b>	Coopération Renforcement des capacités Partage d'informations
<b>Ampleur</b>	Questions transfrontalières et domestiques
<b>Affiliation</b>	Tous les représentants ad hoc d'organisations chargées du travail au noir Experts à propos des 'piliers' Impôt, Sécurité sociale ou emploi
<b>Phase de démarrage</b>	Tous les États membres y participent dès le départ
<b>Conditions</b>	L'une des conditions du succès est de bénéficier de l'appui du public et du personnel politique. Les objectifs, tâches et conditions d'affiliation devraient dès lors être correctement définis et formulés. Il conviendrait en outre de prévoir un calendrier pour l'organisation d'un réexamen et d'une évaluation de la capacité de cette plate-forme à concrétiser ses objectifs.

Les membres de ce Réseau d'experts ne seront pas rémunérés pour les services rendus et la communication s'effectuera pour l'essentiel de manière électronique.

Un membre du personnel de la Commission assurera le Secrétariat et un budget annuel sera dégagé pour la plate-forme. Toutes les autres dépenses liées aux activités du groupe d'expert seront supportées par le biais d'une contribution des États membres. Le versement par les membres d'une modeste participation financière aura aussi pour effet de renforcer l'engagement vis-à-vis du groupe.

À défaut d'amélioration de la coopération administrative entre les États membres à propos des renseignements de lutte contre le travail au noir en général et des pratiques transfrontalières de travail au noir plus particulièrement, la lutte contre ce fléau sera vouée à l'échec. Un cadre communautaire pour une telle coopération est nettement plus efficace que des contacts bilatéraux entre tous les États membres, qui pourraient entraver pour certains États membres un accès rapide et complet à l'information. De même, eu égard à une éventuelle expansion des pratiques transfrontalières de travail au noir, une action coordonnée de lutte contre le travail au noir au niveau communautaire est préférable à une approche nationale voire multilatérale, qui pourrait s'effectuer au détriment de certains États membres en encourageant le travail au noir sur leur territoire.



# 1 INTRODUCTION

## 1.1 EU policy background

Undeclared work (UDW) is a complex, heterogeneous phenomenon influenced by a wide range of economic, social, institutional and cultural factors. It is held responsible for obstructing growth-oriented economic, budgetary and social policies and in particular for lowering work quality standards, creating risks for health and safety of workers, putting at risk the financial sustainability of social protection systems and undermining the competitive environment for businesses.<sup>1</sup>

In the Green Paper on 'Modernising labour law to meet the challenges of the 21st century'<sup>2</sup>, the prevention and fight against undeclared work was one of the key items for the future development of labour law in the EU. It also highlighted the need for a more effective cooperation between different government agencies at a national level, such as labour inspectorates, social security administrations and tax authorities.

As undeclared work sometimes also has a cross-border dimension, the difficulties concerning its detection, prevention and repression may require cooperation between the national authorities responsible for enforcement.

In line with the outcome of the public consultation on the Green Paper, the Commission identified the prevention and combating of undeclared work, especially in cross-border situations as an important issue for further analysis and action.<sup>3</sup> This included the intention to investigate the feasibility of establishing 'a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies'.

During the French presidency of the Union, meanwhile, several conferences were organised with the purpose of identifying problems of common concern for Member States and presenting examples of successful intra-EU cooperation to prevent and sanction illegal labour market practices. With regard to Directive 96/71/EC on the posting of workers, and in line with the Commission Recommendation on enhanced administrative cooperation of 3 April 2008, and the conclusions of the Council of Ministers on 9 June 2008, the Commission has established on 19 December 2008 a Committee of experts whose role and tasks are to enhance administrative cooperation between national administrations through the exchange of appropriate information.

Overall, however, such cooperation remains patchy, rather than comprehensive, both in terms of the countries covered and the issues involved.

Recently, the issue of undeclared work has attracted renewed attention as a result of the economic crisis in several EU-Member States. Undeclared work, as part of the broader

---

<sup>1</sup> Specifications tender No VT/2009/049.

<sup>2</sup> COM(2006) 708 of 22 November 2006.

<sup>3</sup> COM(2007) 628 of 24 October 2007.

phenomenon of tax evasion, is seen as one of the important causes of the problems countries such as Greece and Italy are experiencing.<sup>4</sup> Tackling tax evasion is, in addition to severe budget cuts, a major policy direction in both countries.

## 1.2 Undeclared work as a study object

### 1.2.1 Definition

Although no official definition of undeclared work exists, there is a broad consensus on what is included and excluded. In this project, this consensus is reflected by defining undeclared work as '*any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States*' (European Commission, 2007: 2). In this context, the only difference between undeclared and declared work is that undeclared work is not declared to the authorities for tax, social security and/or labour law purposes.

This covers diverse activities from undeclared domestic services to clandestine activities conducted by illegal residents, but excludes the realm of criminal activity where illicit goods and services are exchanged. Given that undeclared work is defined as work not declared to the authorities for tax, social security and/or labour law purposes, it is important to recognise that this signals the need for future policy options to establish a European platform to consider coordinated action. This would be not only across labour inspectorates (usually responsible for evasion of labour law) but also across revenue administrations and social security offices, responsible for evasion of tax and social security respectively.

If UDW is to be effectively tackled through coordinated action at the international level, it is also important, both for analytical and policy reasons, to differentiate types of undeclared work beyond the question whether they breach tax, social security and/or labour law.<sup>5</sup> For the purposes of this report, in consequence, we here distinguish between undeclared work conducted at the *intra-national* and *inter-national* level.

With regard to undeclared work conducted at the *intra-national* level, the distinction here used draws on the results of the 2007 Eurobarometer survey and differentiates between:

- undeclared work within a formal enterprise, or what might be termed undeclared waged employment. This can be either wholly undeclared work where all one's wages are paid off the books, or partially undeclared where a portion of the wage from one's formal employer is paid officially and a portion off the books ('envelope wages', or *fakelaki* in Greece);
- own-account undeclared work, or what might be termed informal self-employment. This can be conducted either for a formal enterprise or for a household or individual;
- more socially embedded own-account undeclared work delivering goods and services directly to consumers who are neighbours, kin, friends or acquaintances.

---

<sup>4</sup> Europa.nu (2010).

<sup>5</sup> Pfau-Effinger (2009).

Undeclared work conducted at the *inter-national* level, meanwhile, can include:

- work (either of the waged, self-employment or even ‘false self-employment’ variety) in non respect to the rules applicable to posted workers, who are here defined, akin to Directive 96/71/CE, as workers who, for a limited period, carry out their work in the territory of a Member State other than the state in which they normally work and therefore cheat the system of postings abroad in terms of labour regulations of Community social security<sup>6</sup>;
- failure by persons receiving unemployment benefits in a Member State to declare a temporary position taken up in another Member State;
- circumvention of rules on employment status (especially interns, the self-employed and volunteer workers); and
- the employment of Community and non-Community foreign nationals without work permits.

Because of the limited evidence currently available, it is important not to exaggerate the extent of cross-border undeclared labour as a proportion of the overall undeclared sphere. In France, for instance, the annual reports produced by DILTI reveal that only 10 per cent of all undeclared work identified is conducted by foreign workers without official employment authorisation papers<sup>7</sup>, although its share is rapidly increasing (5.3% in 1995, 7.1% in 2001, and 10.0% in 2002).

### 1.2.2 Nature of the undeclared economy in the EU-27

For much of the last century, a popular and recurrent belief was that the undeclared economy was disappearing and becoming a minor residue existing only in a few marginal enclaves of the modern economy.<sup>8</sup> This modernisation thesis, however, has been increasingly refuted. It is now widely recognised that the undeclared economy is widespread and growing relative to the declared economy in many global regions.<sup>9</sup> Indeed, a recent OECD report finds that out of a global working population of some 3 billion, around two-thirds (1.8 billion) work in the undeclared economy.<sup>10</sup> Such work, therefore, is far from being a small residual realm. It is a prominent feature of the contemporary global economy. Here, and as a precursor to a discussion of what might be done about undeclared work at the cross-border level, a review is provided on the current nature of the undeclared economy in the European Union and how this varies socio-spatially.

---

<sup>6</sup> Regulations (Directive 96/71/EC of 16 December 1996 and Regulation (EC) 1408/71 of 14 June 1971; and the rulings of the European Court of Justice (Laval etc.).

<sup>7</sup> DILTI (2004).

<sup>8</sup> Geertz (1963); Lewis (1959).

<sup>9</sup> Charmes (2009); Feige and Urban (2008); International Labour Organisation (2002a,b); Jütting and Laiglesia (2009); OECD (2002); Rodgers and Williams (2009); Schneider (2008); Schneider and Enste (2000, 2002).

<sup>10</sup> Jütting and Laiglesia (2009).

### *Types of undeclared work*

Over the past few decades, there has been growing recognition of the multifariousness of undeclared work. The widespread assumption was that undeclared work mostly involved low-paid undeclared waged employment conducted under exploitative working conditions, by marginalised groups, out of economic necessity, as a last resort. A multitude of empirical research, however, has revealed the diverse forms of undeclared work.

Firstly, it has been recognised that not all undeclared work is conducted on a waged employment basis. Much undeclared work is also conducted on an own-account basis as self-employment. Since the turn of the millennium, it has been recognised that there are diverse forms of undeclared self-employment. Many engaged in undeclared self-employment display entrepreneurial attributes and traits and there has emerged an acknowledgment that the undeclared realm represents a 'hidden enterprise culture' and that many businesses start-up operating wholly or partially off the books.

Secondly, an array of types of undeclared waged employment has been identified. It has been shown that besides undeclared waged work which is low paid, exploitative and carried out by marginalised groups, there is also some waged employment that is relatively well-paid and conducted under less than exploitative conditions by people already in well-paid formal jobs. There is also waged employment which is not wholly but only partially undeclared, namely 'under-declared' or 'envelope' waged employment.

Thirdly, there has also been a recognition in the past few years that not all undeclared work is conducted under relations akin to employment and for profit-motivated rationales. Instead, it has been identified that much undeclared own-account work involves one-to-one paid favours whereby undeclared payments are made for work conducted by and for kin, friends, neighbours and acquaintances for primarily social and redistributive reasons.

### *Undeclared self-employment*

In recent decades, it has been widely recognised that undeclared work can be conducted either on a waged employment or own-account basis, and studies have begun to analyse the ratio of undeclared waged employment to undeclared self-employment in different places. The Eurobarometer 2007 survey reveals that some 78 per cent of undeclared work is conducted on a self-employed basis and only 22 per cent as waged employment.<sup>11</sup>

---

<sup>11</sup> Also see: Williams, C.C. (2004). *Cash-in-hand Work: The Underground Sector and Hidden Economy of Favours*.

### Bogus self-employment

Self-employment seems to be increasingly used as a strategy to evade labour-, tax-, as well as other statutory regulations. Whenever an employment relationship is denied, statutory labour provisions and obligations, as well as workers rights can be set aside. In many of these situations, one can speak of *disguised employment relations*; workers are treated as self-employed, but clearly fall within the category of subordinate employment.

Factors influencing the development of this type of work are:

- the possibility to outsource parts of production processes;
- pressure of competition;
- liberalisation of the labour markets – deregulation;
- easy access to the status of self-employed;
- unclear national definitions of an employee;
- shortage of formal employment.

The use of the self-employed status has also been stimulated by the creation of the single market and the free provision of services. Alleged self-employed workers are offering themselves as service providers. By doing so, they bypass labour provisions, employer contributions and social security costs. Self-employment is also used to circumvent Directive 96/71/EC, aimed to guarantee posted workers the terms and conditions of employment that apply in the Member State in which they are working (*lex loci laboris*). In Directive 2006/123, on the free movement of services, a service provider is defined according to the definition and administration of the country of establishment. So, apart from the definition problem of what is a 'service provider' and what makes someone a 'worker', there is also the problem that relevant legislation originates from different countries.

### Bogus Posting

When a worker is posted, he or she and the sending company, continue to pay social security premiums in the sending country. For this purpose, the posted worker needs an E101 form to prove his/her status as a posted worker: being in the hosting country on a temporary basis and doing the same work as s/he was used to in the sending state. Hosting countries have to rely on the authorities in the sending country to validate the form. In practice these checks are often not thorough and operating times are normally long. Even when the form is completed, it often contains too little information to be able to conduct a good validation.

As a result, it happens that workers are wrongfully 'posted', thus evading social security contributions. It also occurs that the workers are posted from the Member State where social security premiums are lowest.<sup>12</sup>

### *Undeclared and under-declared work*

In the Eurobarometer survey, undeclared work is defined as remunerated activities that are in principle legal but are not declared to the tax or social security institutions when they should be declared.<sup>13</sup> For analytical purposes, the undeclared economy was divided into two types in this study:

- wholly 'undeclared' work where none of the income is declared to the state, as is the case in waged employment or own-account jobs conducted on a wholly off the books basis; and

---

<sup>12</sup> Admin. Commission (2008).

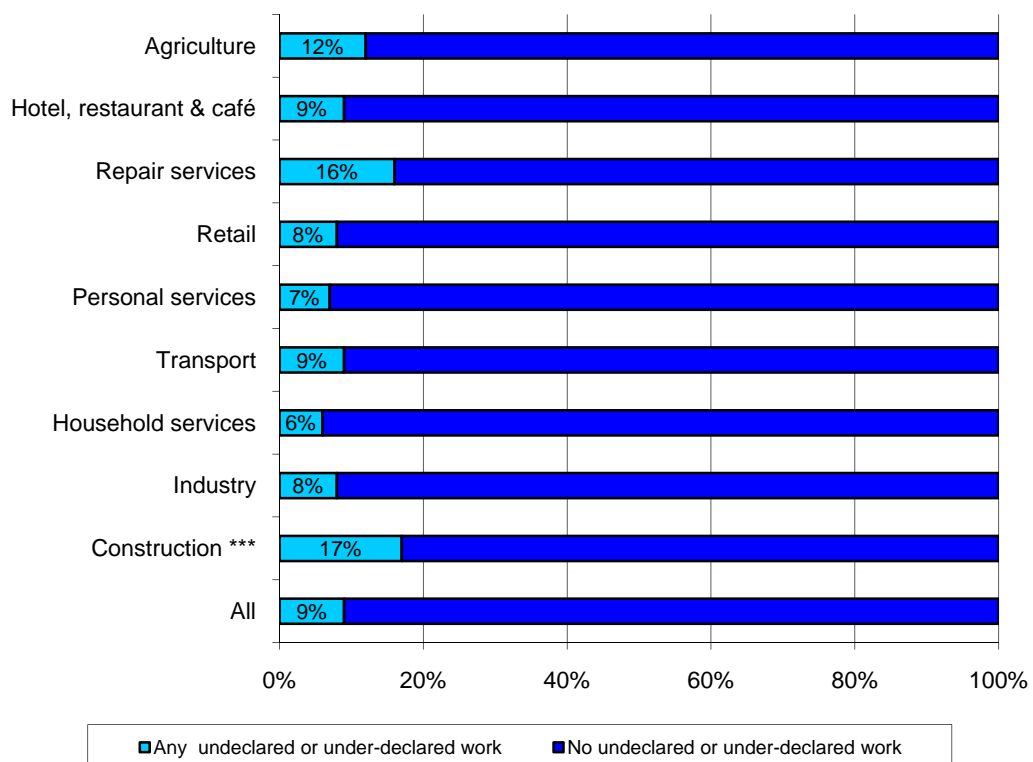
<sup>13</sup> European Commission (2007); OECD (2002); Renooy et al (2004); Williams and Windebank (1998).

- ‘under-declared’ formal employment, where an officially registered employee is paid by their formal employer two wages, an official declared wage and a supplementary unofficial undeclared wage, sometimes known as an ‘envelope wage’.

The un- and under-declared economy is not confined to the margins of the European economic landscape. Examining the results of the 26,659 face to face interviews, the headline finding is that just under one in ten (9 per cent) of the surveyed population participated in either undeclared or under-declared work in the 12 months prior to the interview.

Figure 1.1 examines the prevalence of both undeclared and under-declared work in several sectors.

**Figure 1.1 Participation in undeclared and under-declared work in the European Union: by sector (percentage)**



‘Under-declared’ work = formal jobs where an official employee receives from their regular employer both a declared and undeclared (‘envelope’) wage

Statistical significance: \* = 0.05 (5% probability), \*\*=0.01 (1%) and \*\*\*= 0.001 (0.1%)

Source: Eurobarometer no. 284 survey, 2007

Participation rates in undeclared and under-declared work, however, vary according to both the type of business in which people work and by population group. Starting with the economic sectors, and as previously identified in smaller-scale studies<sup>14</sup>, the undeclared

<sup>14</sup> E.g. Pedersen (2003); Small Business Service (2004); Williams (2006a).



economy is particularly rife in the construction sector, as well as repair services which includes a range of home improvement and maintenance trades, and agriculture. It is also clustered among employees working in smaller businesses. Some population groups, moreover, engage in the undeclared economy more than others. Men, manual workers, younger aged people and lower-income groups are significantly more likely to participate in the undeclared economy than other social groups. Importantly, however, even if participation is higher in some businesses and population groups than others, the undeclared economy appears to be a ubiquitous phenomenon. Businesses of all sizes and sectors, and all population groups participate to some extent in undeclared work.

#### *Geographical variations in undeclared work*

To examine the geographical variations, the results from the 27 EU Member States are grouped into four broad geographical regions:

- Continental Europe, UK and Ireland (Belgium, Germany, France, Ireland, Luxembourg, Netherlands, Austria and the UK);
- Eastern and Central Europe (Bulgaria, Czech republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia and Slovakia);
- Southern Europe (Cyprus, Greece, Spain, Italy, Malta and Portugal), and
- Nordic countries (Denmark, Finland, Sweden).

As described earlier, in countries where labour and the employment system are highly formalised and the labour market is regulated, such as in the Northern and most Western European countries, undeclared work seems to be less widespread than in other countries where the labour system is still developing, i.e. southern and eastern Europe.

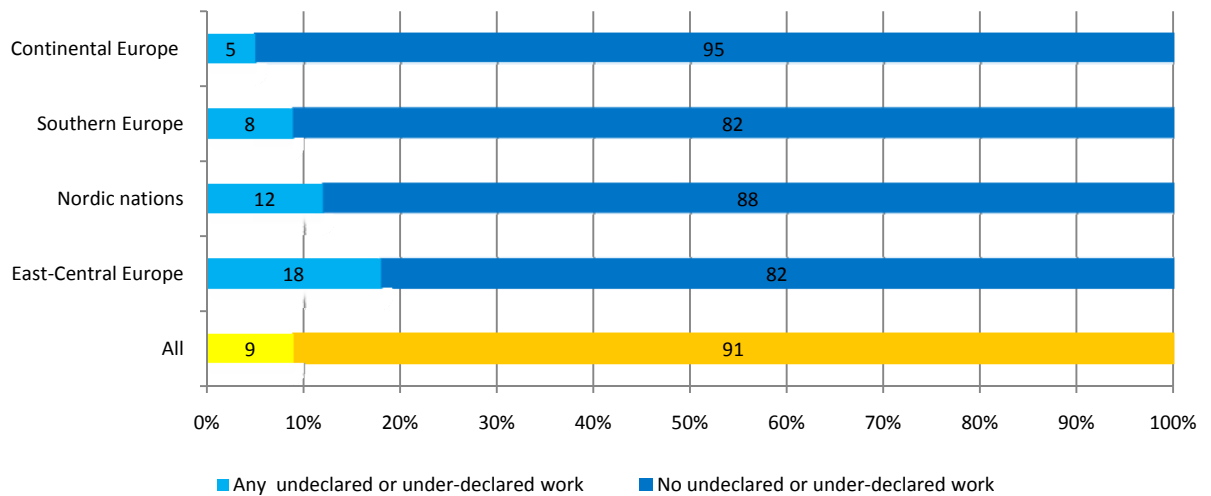
Figure 1.2 reveals some clear variations in the degree of the undeclared economy across the regions. Starting with the commonality of engagement in undeclared work, the finding is that in East-Central Europe nearly one in five (18 per cent) of the surveyed population had participated in undeclared work in the previous 12 months compared with 12 per cent in Nordic nations, 8 per cent in Southern Europe and 5 per cent in Continental Europe.

It needs to be stressed, however, that the validity of the findings on participation is questionable. It is uncertain what the figures really reflect: the participation in undeclared work or the degree of social desirability bias causing a tendency to underreport. Other sources for example show much higher participation rates in the southern countries.<sup>15</sup>

---

<sup>15</sup> See for instance Renooy et al (2004), in which much higher participation rates are mentioned for Southern Europe (Italy 17%, Greece over 20%). Also see World Bank (2010).

**Figure 1.2 Participation rates in undeclared and under-declared work in the European Union: by EU region**



Source: Eurobarometer no. 284 survey, 2007

Turning to the nature of undeclared work in these EU regions, some noticeable differences exist. In East-Central Europe and Southern Europe, the vast majority of the undeclared work conducted tends to be under-declared work (61 per cent and 70 per cent respectively of all undeclared work) whilst in Nordic nations and Continental Europe, undeclared work is largely wholly undeclared work (60 per cent and 83 per cent of all undeclared work) and under-declared waged employment is much less prevalent.

Within East-Central Europe, and as figure 1.2 displays, there is a group of countries where participation is more widespread, including Romania (where 35 per cent had engaged in undeclared work in the last 12 months), Latvia (25 per cent) and Bulgaria (19 per cent), and in which the vast majority of undeclared work is in the form of under-declared waged work rather than wholly undeclared work. In other East-Central European nations such as Slovenia, the Czech Republic and Estonia, however, where overall participation rates in the undeclared economy are slightly lower, a smaller proportion of the undeclared economy is composed of under-declared work and the majority is wholly undeclared work. In consequence, intra- as well as inter-regional variations exist in the nature of the undeclared economy within the European Union.

This finding that there are several variations in the nature of the undeclared economy is important for policy-making. It clearly displays that although there are many commonalities in the types of undeclared work in different populations, the precise configuration markedly differs across the EU. Therefore, a 'one size fits all' policy approach is unlikely to be appropriate.

### 1.3 Policy measures in the Member States

Adequate and effective application, strict compliance with and enforcement of applicable labour, social security and tax legislation are key elements in the protection of workers' rights. Labour inspectorates, the social partners, revenue administrations and other relevant monitoring and enforcement bodies play a crucial role in this respect.

Across the 27 Member States of the European Union (EU-27) as well as EEA countries<sup>16</sup>, a great deal of effort is being invested in developing and testing policy measures to tackle undeclared work.<sup>17</sup> Indeed, a 'knowledge-bank' has recently been developed to share good practices: (<http://www.eurofound.europa.eu/areas/labourmarket/tackling/search.php>).

This has revealed that although the conventional approach pursued across the EU has been a deterrence approach, which seeks to increase the actual or perceived likelihood of detection and penalties, there has been a noticeable increase in recent years in the use of more enabling approaches and measures, especially preventative and curative measures, since Employment Policy Guideline no. 9 on transforming undeclared work into regular work was published in 2003, and further encouragement to move in this direction was provided by Stepping Up the Fight Against Undeclared Work in 2007.<sup>18</sup>

The fact that the undeclared realm represents a 'hidden enterprise culture' and that many businesses start-up operating wholly or partially off the books, lead to a 'policy turn' away from the use of purely deterrence measures and towards the adoption of more enabling measures that seek to formalise such endeavour rather than simply eradicate it.

The result of recognising the existence of undeclared work for social and redistributive reasons, is an understanding that policy approaches that seek to eradicate such work will with one hand seek to destroy precisely the social capital and active citizenship that with another hand Western governments are trying to nurture. The emergent recognition of multifarious kinds of undeclared work, in consequence, is leading to a re-thinking and widening of policy approaches and measures.<sup>19</sup>

#### *Cross-national cooperation*

Until now, the emphasis given by national governments to fostering cross-national cooperation has been rather less than might have been expected. As a result of divergent regulatory frameworks in different Member States a grey area has developed in which false self-employment can instigate unjust posting, undeclared, or under-declared work. Perhaps reflecting this, the role of international cooperation in the prevention and fight against undeclared work has gained increased priority as a policy matter in the EU and in Member States' agendas. As shown in the 2007 Communication (European Commission, 2007),

---

<sup>16</sup> References throughout the report to 'Member States' apply to the 27 Member States of the EU, and the members of the European Free Trade Association (EFTA): Iceland, Liechtenstein, Norway and Switzerland.

<sup>17</sup> For overviews, see EIRO (2005); European Employment Observatory (2004, 2007); Renooy et al. (2004); Williams and Renooy (2007, 2009).

<sup>18</sup> European Commission (2007).

<sup>19</sup> Marcelli et al (2010).

some Member States are working to improve the national monitoring and control capacity of enforcement bodies, such as social security authorities, labour inspectorates and fiscal authorities, and a number of good practices can be identified. Until now, however, much of this has occurred on a piecemeal country-by-country basis. Coordinated action between labour inspectorates, and other relevant monitoring and enforcement bodies to prevent and fight undeclared work has been the exception rather than the rule.

The result is not only a lack of ‘pooling of expertise’ and information by Member States but also a lack of coordinated action to assess the ‘feasibility’ and ‘transferability’ of different policy measures on UDW across Member States.<sup>20</sup>

Europe, of course, is not starting afresh as far as the policy environment is concerned. In developing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies to prevent and fight undeclared work, there is much prior experience to draw upon, not only in the realm of undeclared work but also in other realms of activity.

There are already numerous forms of cooperation in existence concerning preventing and fighting undeclared work, which provide many lessons when taking decisions on the way forward. Some Member States have established bilateral cooperation agreements with other countries, both in the context of Directive 96/71/EC on the posting of workers as well as in the context of Regulation 1408/71 and 883/2004 on the coordination of social security schemes in the Member States. Furthermore, a group of Member States have set up a cooperation network on the wider policy agenda concerning undeclared work to promote and exchange expertise: Belgium, France, Germany, Italy and Romania established the European Network on Undeclared Work (ENUW) under the coordination of the Italian Ministry of Labour. Under the PROGRESS programme budget line 04 04 01, ENUW is continued as ICENUW, Implementing Cooperation in a European Network against Undeclared Work (see chapter 2). Under the same budget line, CIBELES (Convergence of Inspectorates Building a European Level Enforcement System) was established. CIBELES is focused on cross-border enforcement of rules and regulations on occupational safety and health (OSH).

There are also numerous lessons to be learned from previous attempts to seek cooperation in other spheres of activity at a European level and/or cross-nationally. In this regard, much can be learned about both strategic and operational matters from the creation of previous European platforms for cooperation (see chapter 4).

## 1.4 Legal and institutional context

Undeclared work is defined as *‘any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory*

---

<sup>20</sup> European Commission (2007:10), European Parliament Committee on Employment and Social Affairs (2008: 6).

*system of Member States*' (European Commission, 2007: 2). With 'public authorities', of course authorities are meant that concern labour and labour conditions and the financial aspects that accompany labour. In particular, one can think of:

- labour inspectorates, controlling labour conditions and the status of workers;
- tax authorities, collecting direct and indirect taxes (VAT) related to labour of services provided through labour;
- social security authorities collecting contributions for social security schemes.

In some countries, labour law is confined to a minimum of general rules, and labour conditions are for a large part left to collective agreements between social partners (for example in Sweden). In such cases, one could also look upon social partners as relevant authorities concerning UDW, at least for setting the rules and controlling compliance.

Which authorities have a major role in UDW-policies differs within Europe. Important in this matter seems to be the maturity of the employment system. In those countries where labour and the employment system are highly formalised and the labour market is regulated, such as in the Northern and most Western European countries, the attention of labour inspectorates is mainly focused on the conditions of work, not on controlling the lawful nature of employment. In these countries contribution of taxes and premiums are the main drivers behind undeclared work policies. Therefore, in these countries, tax authorities and executing bodies in the field of social security are important institutions with regard to undeclared work policies.

In other countries where the labour system is still developing, i.e. in many new Member States, labour inspectorates have a more prominent role in undeclared work policy. In these cases, combating undeclared work forms part of a wider strategy directed against undocumented employment in general.<sup>21</sup>

Even more authorities are involved when cross-border activities are concerned. In such cases, international legislation becomes relevant. The most important international legislation concerns Directives 96/71/EC on the posting of workers, 2006/123 on free movement of services and Regulation 1408/71 (883/2004) on social security. Apart from the above-mentioned authorities Customs and Immigration institutions are also relevant.

## 1.5 Study objectives and methodology

The aim of this study is to provide the Commission with an independent in-depth analysis on the feasibility and added value of creating a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work. The precise configuration of this platform for coordinated European action, however, will need to be researched, analysed, discussed and debated.

To achieve this, four tasks have been conducted:

- Task 1. Describing the main characteristics of the existing institutional and inspection framework in the Member States and EEA/EFTA countries. Assessing the main characteristics of the existing cross-border cooperation. Describing the structure of UDW in the different countries/regions.

---

<sup>21</sup> International Labour Organisation (2010).

- Task 2. Analysing the main difficulties in dealing with undeclared work and with cross-border cooperation forms to fight UDW.
- Task 3. Providing an overview of other EU level cooperation forms – obstacles and challenges of the establishment of a European platform.
- Task 4. Making an overall assessment of the feasibility of establishing a European platform: options and variants.

The aim of this report is to provide the evidence-base regarding a series of policy options so as to enable this discussion and debate to occur in the clearest of terms.

In chapter 2, the main characteristics of the institutional and inspection frameworks in different countries are highlighted. In chapter 3 the problems and solutions in dealing with undeclared work are evaluated and chapter 4 reviews EU-level cooperations in other sectors. Finally, in chapter 5 the feasibility of developing a European platform in the realm of undeclared work is evaluated.

In annex 1 the methodology and the concrete steps taken during the project are described. Other annexes present the web-based questionnaire, the list of interviewees and participants of the workshops and country profiles of 31 Member States.

## 2 MAIN CHARACTERISTICS OF INSTITUTIONAL AND INSPECTION FRAMEWORK

### 2.1 Introduction

An important step in analysing the feasibility and added value of a European platform for cooperation between relevant bodies to prevent and fight undeclared work, is the assessment of the main characteristics of existing institutional frameworks and policies in the different European countries. In this chapter we present the results of the study, based on interviews, a web survey and desk research.

### 2.2 Institutional arrangements

#### 2.2.1 Central governmental units countering UDW

There are a number of European countries with a form of centralised policy approach towards UDW. The most far-reaching centralisation can be found in Germany and France. In those cases one can speak of single compliance units.

In July 2003, the **German** federal government decided to reorganise the administrative competences for detecting and combating undeclared work. In the course of revisions to the Act to Combat Illegal Employment, a new administrative unit was set up: *Finanzkontrolle Schwarzarbeit* (FKS). FKS is subordinated to the customs authorities of the Federal Ministry of Finance (*Bundesministerium der Finanzen* – BMF). It targets all types of UDW, but it has a concentration of activities on the detection and tackling of UDW within or for formal (building) companies.

FKS, with approximately 6,600 employees, divided between a central authority and 113 branch offices, encompasses three subunits:

- The prevention unit ensures a visible area-wide FKS presence. This unit pursues any indications of undeclared work on the spot. In addition, it also carries out its own random inspections.
- The detection unit is in charge of all statutory investigations and preliminary procedures that are not within the competence of the penalty unit.
- The penalty unit tracks all summary proceedings for which no fieldwork is required. It also analyses the different datasets used, for example by employers and social security agencies, to detect irregularities. Finally, it is responsible for dealing with any formal objection to FKS procedures.

**France** has a cohesive and integrated institutional infrastructure for tackling undeclared work. In France, only one agency is responsible for tackling every aspect of the undeclared economy: the *Délégation nationale à la lutte contre la fraude* (DNLF).

The main tasks of the DNLF are:

- coordination of measures against all sorts of fraud, be it taxes, social security fraud or

- illegal employment;
- improvement of the knowledge of fraud, development of information and data exchange between relevant organisations.

On 11 March 1997, a law was enacted that created a coherent architecture of governance, which ensured full cooperation between the numerous central government departments with responsibilities for tackling undeclared work (including customs, police, labour inspection and social security). The law also provided local governments, trade unions and employer organisations with a key role in fighting undeclared work. It provided for the establishment of local institutions that take the coordinating role at the local level. In every department, departmental commissions have been set up to bring together governmental actors and social partners to tackle undeclared work. They are responsible for producing annual reports of the situation in their domain of competence and for producing action plans.

The DNLF incorporates the *Délégation interministérielle à la lutte contre le travail illégal* (DILTI). In November 2009, the minister of Social Affairs announced a renewed action plan for DILTI for the years 2010-2011. The plan has four priorities: hidden employment, employment by illegal foreigners, fraudulent use of specific employment forms, like internships and cross-border fraud.

The action plan also mentions quantitative targets and concentrates on five specific sectors of the economy, namely hotels and restaurants, building industry, seasonal labour in agriculture, services and the entertainment business.

In several other countries less far-reaching single units were set up, but they do have a form of central coordination, for instance in Italy. **Italy** has its National Committee for the Formalisation of Non-Registered Labour (*Comitato per l'emersione del lavoro non regolare*). The Committee was founded in 1998. The main objectives of the initiative include: creating an institutional network between the central government and regional authorities, with the aim to gain knowledge about the qualitative and quantitative characteristics of the informal economy and to propose formalisation policies, encouraging commitment among workers and employers to be tax compliant, and fighting undeclared work. The Committee coordinates the bulk of policy initiatives in Italy and also stimulates research into UDW.

**In Lithuania**, coordination of undeclared work control was initiated in 2001. A Central Coordination Group was established.<sup>21</sup> This group was set up with the state labour inspectorate as the lead agency under the Ministry of Social Security and Labour. The Central Coordination Group has sessions 3 or 4 times a year and annually sets priorities for undeclared work inspection. The main tasks of the Central Co-ordination Group are to analyse and highlight the prevalence of undeclared work in the country, to predict and approve measures for control implementation and to decrease the volume of undeclared work. At the regional level, control and prevention of undeclared work is handled by the regional coordination groups. The Central Coordination Group for the control of undeclared work comprises of representatives from all institutions and organisations enforcing control of undeclared work in Lithuania, including tax, social security, policy and financial crime investigation.

---

<sup>21</sup> Full title - the Coordination Council of the Permanent Commission for Coordination of the Cooperation of State Economic and Financial Control and Law Enforcement Institutions.



In **Luxembourg**, the Inter-administrative Unit for Combating Illegal Work (CIALTI) was established in 2000. It is an informal unit intended to coordinate unannounced inspections in various fields of economic activity. The main party involved is the Labour and Mines Inspectorate (*Inspection du Travail et des Mines* – ITM), which is responsible for the unit's coordination. The unit has been strengthened since 2008. The unit is capable of mobilising over 200 officials from six to eight ministries, administrations and public agencies when required.<sup>22</sup>

In Luxembourg's neighbour **Belgium**, a number of initiatives have been taken to counter UDW. Because so many agencies, ministries and inspections are involved with the fight against social and fiscal fraud, on 29 April 2008, a Central Committee for the struggle against fiscal and social fraud was founded in which all ministers that are involved in the combat against fraud are seated. It is presided by the prime minister. At the same time, the Council (*college*) against fiscal and social fraud was installed. In this Council, presided by the secretary of state responsible for the coordination of tackling fraud, the directors of all agencies involved are seated (social, fiscal, juridical, police). Every year, the Committee and Council should draw up an integrated action plan against fraud.

A government committee was also installed in **Slovenia**, the Government Commission for detecting and preventing illegal work and employment. A number of ministries, inspectorates, and the tax and customs administration cooperate in the work of the government Commission, which is headed by a representative of the Ministry of Labour, Family and Social Affairs. One of the important accomplishments of the Commission was the launching of the Act on Prevention of Undeclared Work and Employment (2000).

The Multi-ministerial Body for Combating the Illegal Employment of Foreign Workers was founded as a bottom-up initiative by the heads of government ministries after the Ministry of Labour and Social Affairs of the **Czech Republic**, which deals with the issue of foreign workers, identified the need for close cooperation with the Ministry of the Interior, which is the authority responsible for defining the barriers restricting migration policy. The composition of the body was inspired by a similar cooperative model that already existed in France (DILTI). The body's members comprise representatives of several ministries, social partners and the police. This multi-ministerial body focuses on a specific manifestation of UDW, namely, UDW by immigrants.

**Finland** has set up the VIRKE project. It is an inter-authority cooperation, based on the government's financial crime prevention programmes. VIRKE is an intensified cooperative undertaking between the Ministry of Finance, the tax authorities, the police, customs, and the recovery administration, the aim of which is to combat the grey economy and white-collar crime. One of the specific aims of VIRKE is to combat the underground economy and financial crime by gathering, analysing and distributing information to various authorities on the underground economy and financial crimes.

In **Ireland**, the National Employment Rights Authority (NERA) is an office of the Department of Enterprise, Trade and Employment. It focuses on all types of undeclared work. NERA was

---

<sup>22</sup> International Labour Organisation (2009).

established on an interim basis by the government in February 2007 and received a statutory basis in 2008.<sup>23</sup> It aims to secure compliance with employment rights legislation and to foster a culture of compliance in Ireland through five main functions: information, inspection, enforcement, prosecution and protection of young persons.

NERA has a total of 90 inspectors comprising 12 inspector-team managers and 78 inspectors.

In **Switzerland**, coordination of combating undeclared work is organised on a cantonal level. Each of the twenty-six Swiss cantons have appointed a central cantonal authority entrusted with the strengthened supervisory powers established by the amendments regarding UDW. In 2008, nearly 60 inspectors carried out 9.264 controls in all sectors and regions of Switzerland to combat undeclared work. They checked employers and employees on compliance with social security-, immigration-, tax- and VAT-legislation. The cantonal supervisory board reports annually on its activities to the State Secretariat for Economic Affairs (SECO).

Finally, in the **United Kingdom** the fight against undeclared work is coordinated on a local level through Joint Shadow Economy Teams (JoSET's). Officers from the department for Work and Pensions, The Majesty's Revenue and Customs and Employment Agency Jobcentre Plus work together in these teams. The attention of the teams is focused on construction and building services, taxis and couriers, catering and hotel and guest houses.

## 2.2.2 Departmental cooperation and leading theme

In most states, there is cooperation between several departments in which one department will usually lead the fight against UDW.

The department that leads the fight against UDW can be found in Labour, Social Security or Finance/tax. These are also the three themes or pillars that are involved in undeclared work:

- Labour – labour law, Ministry of Labour, labour inspectorates etc., or;
- Social Security – Ministry of Social Affairs, social insurance boards, or;
- Finance – taxes, Ministry of Finance or tax authorities.

In annex 5 we present the profiles of the institutional arrangements in 31 countries. From these outlines we divided the European countries into three groups, representing the focus of UDW-policy on one of the pillars.

This of course is a generalisation, as countries may shift from one category to another. However, the countries seem to group around one pillar according to their geographical region (see table 2.1).

---

<sup>23</sup> Website National Employment Right Authority (2010).

**Table 2.1 Focus on three pillars\***

Focus on Labour	Focus on Social Security	Focus on Taxes
Bulgaria	Belgium	Austria
Cyprus	France	Denmark
Czech Republic	Switzerland/Liechtenstein	Estonia
Greece		Germany
Hungary		Finland
Italy		Ireland
Iceland		Netherlands
Latvia		Norway
Lithuania		Sweden
Malta		United Kingdom
Luxembourg		
Poland		
Portugal		
Romania		
Slovakia		
Slovenia		
Spain		

\* This is a generalisation; countries may shift from one category to another

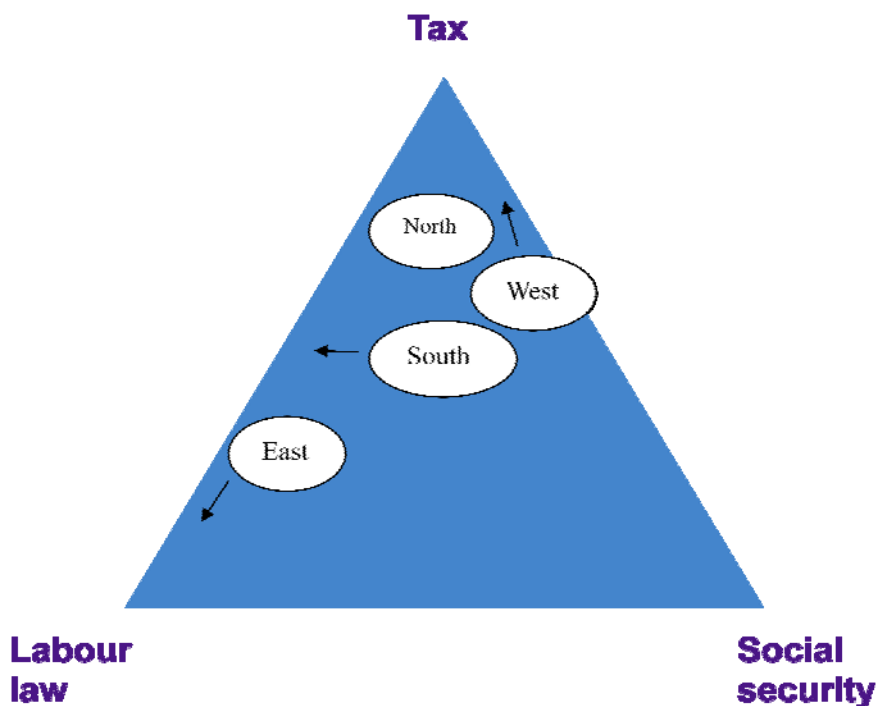
A clear grouping seems to appear in which the Nordic countries in particular concentrate their UDW policies mainly around the fiscal theme. It stands to reason that this focus on the fiscal dimension has a relation with the predominant type of undeclared work in these countries. As we have seen in the results from the Eurobarometer study, in the Nordic countries, as well as in continental Europe, UDW mainly involves undeclared self-employment. This means it is outside the sphere of employer-employee relations. Therefore, labour inspectorates are not concerned with this type of (undeclared) work.

Moreover, as the collection of social security premiums is being assigned to the tax authorities in several countries, such as the Netherlands, the focus is shifting towards taxes even more. In Switzerland, the focus is both on social security and taxes, as well as on the control of immigration rules and regulations.

In many of the countries listed under the heading 'Labour', labour relations are gradually evolving into more formal employer-employee relations, which includes written contracts, minimum wages, pension schemes, collective agreements etc. Attention that is paid to undeclared work by labour inspectorates is part of a broader policy intended to regulate the labour market.

As stated, this grouping is a generalisation. Moreover, it is not a static picture. In our workshops, we discussed this issue of the focus of UDW policies and the way it is developing. Figure 2.1 represents the outcome of these discussions. It seems that UDW policy in the Western European countries is shifting away from the social security 'pillar' towards tax. In the Eastern European countries the emphasis is shifting towards institutions and policies regulating the labour market and labour relations.

**Figure 2.1 Focus of UDW policy in the European regions**



*Social partners*

In many countries, social partners are also active in the policies towards UDW. In Bulgaria, the two largest employers’ organisations joined forces to launch a campaign to raise awareness on the topic of UDW. In Estonia an employers’ organisation joined an agreement with several government bodies to fight undeclared work, including the starting of campaigns and of inter-organisational information exchange.

In Romania, the Builders Social Fund was founded, as an initiative of trade unions and employer originations in the building industry. The welfare services provided by the Fund are only available to legally employed persons. In this way, formalisation is stimulated.

In Western countries, such as the Netherlands, Sweden and France social partners are involved in sectoral policy initiatives (e.g. in the building industry, hotels, agribusiness). In Italy social partners are also heavily involved in UDW policy on the sectoral and regional level, for instance in gradually realigning wages in certain sectors and regions.

*Other authorities involved*

In many countries other parties are also involved in policies towards UDW. Quite a number of countries have a strong involvement of authorities focusing on immigrants and immigration. In Poland, Customs and the Border Guard are cooperating with the labour inspectorate in controlling the legality of foreign workers. The Ministry of the Interior from Greece became responsible for the policies towards undeclared work by illegal (‘undocumented’) foreign workers. Latvia has a Citizen and Migration Board, also involved in combating UDW and Ireland has its Garda National Emigration Bureau and Immigration

Bureaus. In other countries, for instance, Norway, Denmark, Luxembourg, Belgium and Cyprus, the police force is occupied with the fight against UDW.

Other authorities mentioned in our survey were the Ministry of Industry and Trade (Czech Republic), Veterinary and Food Administration (Denmark), Ministry of Economic Affairs (Estonia), Ministries of Welfare and of Education (Latvia) and the Market Inspectorate (Slovenia).

## 2.3 Policy approaches

Throughout Europe a mix of policy approaches is visible. Not one of the 31 countries has a national policy that is characterised by a policy approach which is focused solely on either deterrence or enabling compliance. We distinguished four groups of methods within these approaches (table 2.2)

**Table 2.2 Policy approaches and accompanying measures**

Approach	Measures	Method
Deterrence	Improve detection	Data matching and sharing Joining-up strategy Joining-up operations
	Increase penalties	Increase penalties for evasion
Enabling compliance	Preventative	Simplification of compliance Direct & indirect tax incentives Smooth transition to self-employment Introducing new categories of work Micro-enterprise development
	Curative/ Stimulating	Demand-side incentives - service vouchers; targeted direct taxes; targeted indirect taxes Supply-side incentives - society-wide amnesties; voluntary disclosure; business advisory services
	Fostering commitment	Education Peer-to-peer surveillance Tax fairness Procedural justice; Redistributive justice

### **Deterrence – measures to improve detection**

All countries that responded to our questionnaire used workplace inspections as a measure to improve detection. In almost all countries sanctions are imposed on either purchasers or suppliers of goods and services derived from UDW, be it administrative or penal. The International Labour Organisation (ILO) also observes that in many countries the number of sanctions increased since 2008. The reason given is the advent of the economic crisis that

would lead to a growth of undeclared work and other precarious employment.<sup>24</sup> In the realm of improving detection, in almost all countries organisations are sharing and matching data. The registration of workers prior to or on the first day of work is another measure that is implemented in most countries.

### **Preventative measures**

In the preventative measures category, 'simplifying or reducing regulations' is found as a policy measure in many European countries, as are tax incentives. More 'creative' measures in this field, such as the introduction of new categories of work are found in fewer countries. A well-known example of these are the German mini-jobs.<sup>25</sup> In Slovenia for example the categories 'short-term work' and 'small work' are introduced. The former is reserved for family members working occasionally (up to 40 hours a month) in family businesses with less than 10 employees, while the latter allows work to be carried out legally through a special contract with the employer. Small work is defined as work carried out by someone who is not a full-time employee, does not perform freelance work and is not receiving a pension. The employer must register such a person for social security and wage-related contributions. The performance of such work does not require an employment contract under the Employment Relationships Act.

### **Curative measures**

When looking at the individual measures in the different countries, an underrepresentation of curative measures can be observed. As a curative measure only 'direct tax incentives' was mentioned by a majority of countries (60%).

Even often recommended measures like 'targeted reductions of VAT', in particular on labour intensive services, are only found in five countries.<sup>26</sup> Targeted income tax incentives were found for instance in Greece, combined with lowering social security contributions, to reduce the price of labour. In Bulgaria, a flat tax rate of 10 per cent was introduced in 2008. After a year, evaluation showed that there was no increase in social security and income tax revenues.

### **Fostering commitment**

Finally, although fostering commitment to declared work-measures seems unpopular, this type of measure is still implemented in several countries. In particular different types of campaigns are found throughout Europe. The Law Compliance Unit of the Employment and Training Corporation (ETC) in Malta for example, launched a public information campaign on undeclared work in 2006, which received a large response. ETC found that 1,271 people were claiming unemployment benefits while also working informally. In Portugal a campaign against undeclared work in hotels and restaurants was implemented (2007).<sup>27</sup> The campaign directly involved trade union representatives from the Northern Hotels Trade Union. However, indirectly, it also called on the participation and collaboration of the Authority for

---

<sup>24</sup> ILO (2009).

<sup>25</sup> Employment (mostly in personal services) earning up to a maximum income level (400 euros) free from social security payments and a low tax rate. See P. Renooy a.o. 2004.

<sup>26</sup> Although not all 31 countries responded, see annex 5.

<sup>27</sup> Eurofound, <http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry22.htm>.

Working Conditions. A last example of a campaign can be found in Bulgaria: the ‘Come into the light’ initiative.<sup>28</sup> In 2007, two of the largest representative employers’ organisations in Bulgaria, with the help of eight national media outlets, united their efforts to bring to light the undeclared or ‘grey’ economy. A special website was set up and – through joint initiatives, publications and information – the employers are trying to provoke a wide public debate in order to overcome the existing problems. The initiative is supported by the state institutions and trade unions.<sup>29</sup>

### Effectiveness

Representatives of relevant organisations in the 31 European countries were asked to indicate the type of measures that are the most and the least effective in dealing with UDW. (see table 2.3). The use of the policy approaches seems to be in line with the opinions given in the survey on the effectiveness of the measures associated with them. Of the responding organisations 64 per cent indicated detection measures as most effective. A similar percentage assessed measures fostering commitment as least effective.

**Table 2.3 Types of policies seen as most or least effective in Europe (% of respondents)\***

	Most effective	Effective	Least effective
Measures to improve detection	64	19	17
Preventative measures	24	57	19
Curative measures	18	38	44
Measures fostering commitment	12	27	61

\* N=104, although not all countries responded or showed a preference for one particular type.

In earlier reports we noticed a growth of measures other than deterrence measures<sup>30</sup> in the EU Member States. This conclusion was derived from analysing the National Action Plans and National Reform Programmes. Table 2.3, however, shows a clear preference for the type of measures that aim to detect infringement of labour, tax or social security laws. ‘Soft’ measures in the category curative/stimulating or those fostering commitment were thought to be least effective.

Preference for certain types of measures did not seem to be connected to differences in policy focus. Whether the focus is on taxes or whether it is on labour law, in both cases detection measures are regarded as most effective.

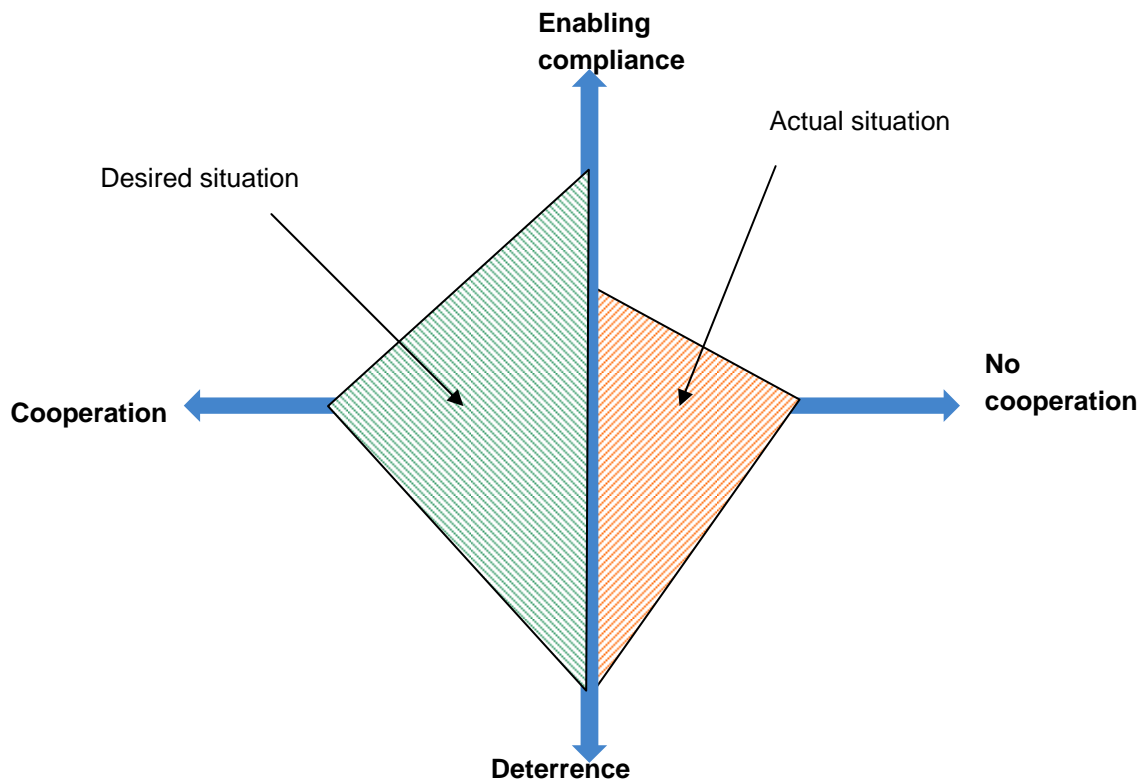
During the workshops the prevalence of deterrence measures was confirmed. We also discussed whether different stakeholders are working together in the fight against undeclared work. In many countries cooperation seems to be limited, even though there is a strong desire to cooperate more. Most country representatives also expressed their preference for less repressive measures and more attention for enabling policies. This is shown in figure 2.2.

<sup>28</sup> Eurofound, <http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry3.htm>.

<sup>29</sup> Website of the Bulgarian ‘Come into the light’ initiative: <http://www.nasvetlo.net/>.

<sup>30</sup> Williams, C. and P. Renooy, Measures to combat undeclared work in 27 European Union Member States and Norway: Overview Report. Eurofound, Dublin, 2009.

**Figure 2.2** Desired and actual situation concerning policy measures and level of cooperation between stakeholders



## 2.4 International collaboration

There are several initiatives to collaborate internationally on issues that are closely linked to undeclared work. These are international networks based on of the three pillars: labour, social security or tax and they are concerned with working together on specific subjects, whether operational, on a policy level or on developing expertise. Below we will discuss several of these platforms, networks or committees. Only one of these, ICENUW, is involved solely in the subject of undeclared work.

### **ICENUW**

Belgium, France, Germany, Italy and Romania established the European Network on Undeclared Work (ENUW) in 2005, under the coordination of the Italian Ministry of labour. Under the PROGRESS programme budget line 04 04 01, in 2010 ENUW is continued as ICENUW – Implementing Cooperation in a European Network against Undeclared Work. In ICENUW Belgium, France, Spain and Italy are participating and each is responsible for one of the following four new pathways:



1. Consolidation of a European Network, with a who is who web application in which all stakeholders of UDW actively share information, ask questions, organise meetings etc. (Spain)
2. Reflection on the question of how an efficient inspection control in a European context should be organised. This could include the development of minimal inspection standards, or the implementation of an EU legal instrument by giving examples of clauses and guidelines that could be included (France)
3. Establishment of a legal environment for supporting EU level cooperation. This could act as a blueprint for possible future actions (Belgium).
4. Raising awareness and creating incentives to make legal work more attractive and rewarding (Italy).

Eight more countries are invited to join the network. The project started in 2010 and is expected to deliver results in February 2011.

#### **2.4.1 Pillar 1 – Labour**

##### ***Senior Labour Inspectors Committee (SLIC)***

The SLIC was established in 1982 and was formalised in 1995 by a Commission Decision (95/319/EC). The SLIC's main objective is to achieve common principles for labour inspection and prevention services in the field of occupational safety and health. For example, the availability of effective sanctions and the availability of a wide range of technical expertise. Thus, the SLIC monitors the effective and equivalent enforcement of secondary community law on health and safety at work on the basis of close cooperation between its members and the Commission. It also engages in seminars and provides an exchange system for safety inspectors.

All EU countries are members. The Committee is composed of one representative of the labour inspection services of each Member State (before 2010 two representatives per state were selected). Its tasks include:

- defining common principles for labour inspection in the field of health and safety at work and developing methods of assessing the national systems of inspection in relation to those principles;
- promoting improved knowledge and mutual understanding of the different national systems and practices of labour inspection, methods and legal frameworks for action;
- developing exchanges of information between national labour inspection services;
- promoting a labour inspector exchange programme and the setting up of training programmes;
- developing a system of rapid information exchange between labour inspectorates about health and safety issues;
- establishing active cooperation with labour inspectorates in third countries to promote better understanding and to assist in resolving any cross-border problems;
- studying the possible impact of other Community policies on labour inspection activities relating to health and safety at work and working conditions.

### **CIBELES**

The Spanish Inspectorate for Labour and Social Security set up a project of cooperation between labour inspectorates from Austria, France, Belgium, Germany, Hungary, Italy, Spain and Portugal.

CIBELES stands for Convergence of Inspectorates Building a European Level Enforcement System. The project focuses on a study on the improvement of mechanisms for cross-border enforcement on occupational safety and health (OSH). It aims to make an inventory of different legal systems and sanctioning proceedings, to gather information on real cases and problems and to subsequently come up with clear and concrete proposals, aimed at:

- better and more cooperation among labour inspectorates via multi- or bilateral agreements;
- analysing opportunities deriving from current legal tools; and
- new legislative initiatives.

CIBELES started in 2010 and its first report is expected in 2011.

### ***Committee of Experts on Posting of Workers***

The European Commission set up this Committee, by Decision 2009/17/CE, in which public bodies responsible for compliance (e.g., labour inspectorates) and social partners, are working together to enhance administrative cooperation. Member States participate actively in a systematic and formal process of identification and exchange of good practices through a forum of cooperation. The Committee's tasks, responsibilities and structure are to:

- support and assist Member States in identifying and promoting the exchange of experiences and good practices;
- promote the exchange of relevant information, including information on existing forms of (bilateral) administrative cooperation between the Member States and/or social partners;
- examine difficulties and issues arising from the implementation and practical application of Directive 96/71/EC;
- monitor progress in improving access to information and administrative cooperation, and in that context, including an electronic information exchange system;
- examine possibilities to increase effective compliance with and enforcement of workers' rights and protection of their position, if necessary; and
- conduct in-depth examinations of practical cross-border enforcement problems to improve the practical application of existing legal instruments as well as to improve mutual assistance between Member States.

### ***Subgroup on Information Exchange***

The European Commission established a Subgroup to look at the development of an information exchange system in relation to the provision of cross-border services and the implementation of Directive 96/71/EC on the posting of workers. The results of the Subgroup are of interest because problems concerning information exchange are often mentioned when talking about cross-border policies toward undeclared work (see chapter 3).

The Subgroup examined various issues, topics and questions, as well as possible options for developing a future information exchange system in order to enhance the administrative cooperation necessary to improve the practical implementation of Directive 96/71/EC, in particular article 4, and to prevent abuse of the posted workers status.

The Subgroup had four specific tasks:

1. identifying the main issues and questions on which information should be exchanged between Member States and which should therefore be included in a future exchange system;
2. Identifying the competent authorities in the Member States and, if necessary, other actors involved in the monitoring and control of employment conditions of posted workers that should be included in a future exchange system;
3. clarifying the role of liaison offices;
4. examining the issue of adequate safeguards for the protection of personal data exchanged between Member States' authorities and, if necessary, other actors involved.

One proposal is that the information system would operate as a specific module as part of the existing Internal Market Information (IMI) system. This is a tool to exchange information relating to distinct areas of internal market legislation. Under the IMI, a competent authority must be registered to such an area in each Member State, in order to be allowed to start handling information requests related to a given legislative area (such as posting of workers).

#### ***The Baltic Sea Network on Occupational Health and Safety***

The first cooperation agreement of this relatively long-standing cooperation was signed in 1994 between the state labour inspectorates of Estonia, Latvia and Lithuania and focused on occupational safety and health (OSH). The participating countries exchange information; pursue joint efforts to cooperate in drafting and implementing new control methods and standard acts on OSH; coordinate implementation of international projects; expand professional, social and cultural relations, provide mutual assistance in establishing contacts with international and national organisations; and exchange experience between experts, specialists and managers. The network asserts that one of their next steps is to cooperate in cross-border cooperation on illegal work and joint inspections; to cooperate in the exchange labour inspectors, and the further exchange of best practices.

#### ***Regional Alliance of Labour Inspectorates of South-Eastern Europe, Azerbaijan & Ukraine (RALI)***

This relatively new regional alliance is also focused mostly on OSH and was launched in 2008 at the First Regional Conference of labour inspectorates. Instigated by the Bulgarian Labour Inspectorate Executive Agency, forms of cooperation include: training courses and workshops; common information and inspection campaigns targeted at specific sectors or specific problems; joint projects; events for exchange of experience and good practices; and a common database and a regional website. Whether the alliance will also focus on undeclared work in the future remains to be seen.

### **2.4.2 Pillar 2 – Social Security**

#### ***Working Group European Benefit Fraud***

This informal network was set up by the International office for combating fraud of the Dutch executive body for social insurance (UWV-IBF). Participating Member States include Belgium, France, Germany, Denmark and Sweden.

Cooperation takes place on the level of exchanging information and operations, but not on a common strategy. The main aim of the network is the exchange of personalised information.

The network provides the infrastructure to contact each other on the judicial and social security status of persons working in one of these participating Member States. Furthermore, the participating countries exchange non-personal information and good practices. One of the main problems is that there are legal disagreements concerning data protection.

The working group meets every nine or ten months. Every year another participating country hosts the meeting. The responsible ministries finance the working group. Because UWV-IBF set up this working group, they run the secretariat. It is an informal network without legal status.

#### ***Ad Hoc Group on Combating Fraud and Error (AHG)***

The AHG of the Administrative Commission (AC) was set up under article 4.5 of the rules of the AC in October 2007. The AHG was set up to assist the AC to strengthen cooperation between competent institutions in securing the correct application of Regulation 1408/71 and more particular in combating social security fraud in the context of Regulation 1408/71. The AHG has members from 17 EU Member states, which voluntarily joined the group, and together they delivered the final report in 2008. In its report, the AHG points at several shortcomings in the present procedures of using E-forms. Another finding of the group was that only a minority of Member States is interested in data matching. The AHG finds this conclusion rather surprising, given the common legal framework within all Member States on this topic.

#### ***TrESS***

TrESS (training and reporting on European Social Security) organises seminars and establishes networks between people involved in social security coordination at a national level. It reports to the European Commission on implementation problems encountered in the EU Member States and undertakes legal analysis on the coordination of regulations. The trESS network consists of independent experts in the field of European social security law, that gather for a seminar every month, coordinated by Ghent University. The trESS website contains an extensive resource base on the coordination of social security in Europe and on national case law.

### **2.4.3 Pillar 3 - Tax**

#### ***Commonwealth Association of Tax Administrators (CATA)***

This association is an example of a multi-national cooperation in relation to information exchange and best practice on tackling tax evasion and undeclared work. The objective of the Association is to promote the improvement of tax administration in all its aspects within the Commonwealth with particular emphasis on developing countries. To this end the activities of the Association may include:

- holding meetings of technical and administrative personnel in tax administration for the exchange of ideas and experiences;
- organising seminars, workshops and training courses on aspects of tax administration; collecting, analysing and disseminating information on tax administration;
- providing directly, or collaborating with, and generally facilitating, the work of bilateral and multilateral agencies providing technical assistance and research facilities in the field of tax administration;
- generally carrying out functions related to the overall improvement of the capabilities of

tax administrations through functional cooperation between and among Commonwealth countries.

### ***The Intra-European Organisation of Tax Administrations (IOTA)***

IOTA is a non-profit organisation that acts as a forum to assist members in the European region to improve tax administration. To date, IOTA has 44 members. The mission of the organisation is to provide a forum for discussion of practical tax administration issues, to promote cooperation between tax administrations in the European region and to support their development according to their individual needs. Its objectives are:

- to promote and develop strengthened cooperation between IOTA members;
- to support IOTA members with the implementation of their development programmes;
- to identify best practice and encourage its adoption;
- to promote the specific identity of IOTA as a professional regional organisation of tax administrations in cooperation with other international and regional organisations;
- To be a body of consultation for IOTA members.

### ***EC Directive on tax information exchange<sup>31</sup>***

On 10 February 1975 the Council adopted a resolution on the measures to be taken by the Community in order to combat international tax evasion and avoidance. In accordance with the provisions of the resulting Council Directive 77/799/EEC (of 19 December 1977) the competent authorities of the Member States can exchange any information that may enable them to effect a correct assessment of taxes on income and on capital.

In 2004 (Directive 2004/56/EC) the directive was amended to speed up the flow of information between Member States' tax authorities. It permits the Member States to coordinate their investigative action against cross-border tax fraud and to carry out more procedures on behalf of each other. This directive focuses only on mutual assistance in the field of direct taxation and taxation of insurance premiums.

#### **2.4.4 Bilateral agreements**

Apart from international collaboration in networks, there are numerous bilateral agreements between countries throughout Europe, to support national policies on or indirectly focusing on undeclared work.

Usually these agreements are based on an issue within one of the three major themes/pillars: labour social security or tax.

In the aforementioned study of the Ad Hoc Group on Combating Fraud and Error (of the Administrative Commission), several clusters of cooperation on social security issues are distinguished, namely a Nordic cluster (NO, SE, FI), a Baltic cluster, an old Member States (NL, BE, FR, DE) cluster and a cluster of countries with few relations, but with a clear demand for more (UK, PL, LU). In the inventory Belgium and Germany appear to have most bilateral agreements.

---

<sup>31</sup> Council Directive 77/799/EEC of 19 December 1977 concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation.

It is not possible to present an exhaustive list of all the existing bilateral agreements. A number of important examples of these kind of agreements are mentioned below.

- *United Kingdom – Bulgaria.* In January 2009 the Bulgarian labour inspectorate and UK Gangmasters Licensing Authority signed an agreement to cooperate on issues related to the monitoring and regulating of labour companies that provide seasonal workers for the UK;
- *Spain – Portugal.* Cross-border cooperation has occurred between the labour inspectorates of these two countries concerning the exchange of information and good practices. There are also joined training programmes for inspectors and a compendium of terminology has been set up to improve mutual understanding.
- *Belgium – France.* These two countries have cooperated on data sharing and data mining. Both countries also agreed on a far-reaching administrative cooperation agreement in 2003, explicitly targeting undeclared work in the border regions. Information exchange was standardised and joined inspections are carried out. Belgium and France also exchange inspection methodologies and good practices. In an agreement with Poland Belgium tries to achieve the same kind of collaboration. One way of exchanging information between these countries, is through Single Points of Contact (SPOC's)
- *Netherlands – United Kingdom.* In 2004, a Memorandum of Understanding (MoU) was signed on combating social security fraud, building on Directive 96/71/EC, on the posting of workers, by engaging in information exchange. It lists the types of data (including personal data) that competent bodies may exchange, respecting the national privacy legislation and taking account of the different structures in the field of enforcement in both countries.
- *Netherlands – Slovakia.* In 2006, a similar MoU to the one described above was signed to share information to combat social security fraud.
- *Germany – Netherlands – France.* These countries cooperate on the exchange and sharing of personal information.
- *Poland – Netherlands.* In 2008, the labour inspectorates of the two countries made a joint declaration on cooperation and exchange of information in the realm of social security, which was signed by the Polish and Dutch ministers. This cooperation will provide valuable lessons regarding the obstacles and problems involved in data sharing and information exchange.
- *Bulgaria – France.* These countries signed an agreement on May 2008 on checks for the regular implementation of Directive 96/71 but also including enforcement regarding cases of abuse of the posting regime under Regulation 1408/71.
- *Bulgaria, – Greece – Romania.* The labour inspectorates of the republics of Bulgaria, Greece and Romania signed a trilateral agreement on 30 September 2010, to join forces against UDW.

## 2.5 Conclusions

Throughout Europe, a broad diversity is found in the way undeclared work is approached in national policies and in the institutional structure of the Member States. A centralised structure is found in Germany, whereas in several other countries some kind of central coordination can be found, such as in France, Italy, Lithuania and Slovenia. In other

countries, such as Denmark, undeclared work is mainly the responsibility of one department, namely the tax authority. And yet other Members States divide the responsibilities across different ministries, agencies or executing bodies, like in the Netherlands.

Policy measures are still very much focused on deterrence and on improving detection. Very few measures are targeted at preventing undeclared work or at fostering compliance. Cooperation between different ministries, agencies or executive bodies on a national scale seems to be developing. On an international level however, cooperation seems to be concentrated on bilateral agreements and it mostly concerns issues related to, but not fully covering undeclared work (e.g. posted work, social security issues, migrant labour).

Existing organisations aimed at international cooperation, such as the SLIC or IOTA, are focused on only one aspect of UDW, either tax or labour. Furthermore, the SLIC, which presents an extensive network among labour inspectorates only deals with health and safety issues, not with compliance to labour protection laws. The temporary network ICENUW, which is currently in a start-up phase, is the only network fully geared at all issues concerning UDW.





## 3 PROBLEMS AND SOLUTIONS IN DEALING WITH UDW

### 3.1 Introduction

In this chapter we present problems and solutions that departments and organisations face in dealing with undeclared work. Both the national and the cross-border perspective will be discussed. Existing structures of cross-border cooperation (on a bilateral, international or EU level) will be assessed on their strengths and weaknesses. This chapter is based on answers to questions in the survey and information gathered in the workshops. The original answers of our web survey are presented in the boxes below.

### 3.2 Enforcement bodies

In this section we will present the main difficulties that enforcement bodies face concerning detecting, preventing and inspecting occurrences of undeclared work. The main problems are concerned with the difficulty to detect and prove undeclared labour, insufficient resources and fragmentation in the various national infrastructures.

#### *Social norms and culture*

In several EU Member States, certain types of undeclared work are seen as socially acceptable. The Eurobarometer (2007) study shows that for instance undeclared work done by a private person for a private household is often seen as harmless. Undeclared work is also strongly embedded in the culture of many Member States. In such cases, performing undeclared work is not seen as acting against social norms.

On an individual level, the mutual gain that both employer and employee have, or at least perceive to be having, with respect to undeclared work obstructs an effective detection policy.

Social norms, however, can change. In Ireland, the opinion on evading taxes changed drastically after the crisis in the eighties, when facilities funded by government (tax) money, such as swimming pools, libraries and other public facilities, were foreclosed.

#### **Box 3.1 Difficulties that enforcement bodies face – social norms**

- Both parties in ‘black transactions’ have the idea that they have benefited.
- Employer-employee agreement on such a relationship exists.
- Silence on part of the employers and employee.
- The connivance of the people concerned.
- Culture of non-compliance with the law.
- Widespread tolerance of undeclared work.

#### *Problem determining breach of rules*

It is hard for inspection bodies to detect and prove undeclared work. Due to its hidden nature, it is difficult to detect undeclared work and to apprehend the offenders. Offenders are creative in finding ways not to declare their work, by using false or multiple identities for

instance. When undeclared work is detected, it is hard to establish the scope of the fraud, amongst other things because employees are not inclined to cooperate with the inspection bodies.

An important reason for the difficulties in determining undeclared work is the enormous complexity of certain rules and regulations. This is the case with national rules on labour, taxes and social security, but it becomes even more complex in the case of international labour migration. European regulations on labour migration, like the Directives 96/71 and 2006/123 and relevant case law leave room for interpretation. European regulation and legislation, intended to facilitate coordination between the legal systems on a European level (directives on social security, posting of workers or free movement of services), in this way seem to create new possibilities for non-regular forms of labour.

### **Box 3.2 Difficulties that enforcement bodies face – rules**

- Difficulty of detection due to the hidden/casual nature of the work.
- Difficulty in identifying offenders when they are carrying out undeclared work.
- Identifying people in the hidden economy.
- If something is undeclared and therefore unknown, how can you know where and when it exists? How can you focus your inspections on the right place and carry them out at the right time?
- To clarify the starting point (in time) of employment.
- If undeclared work is detected (by accident), how can you know and prove the starting date?
- Employees do not cooperate with the inspection bodies.
- Inspection in private households is not legal for tax authorities.
- Low risk of being caught.
- Use of multiple or false identities.

### *Fragmentation of approach to fight undeclared work*

Another important problem that is mentioned by many respondents, is the lack of cooperation on a national level between different organisations involved in fighting undeclared work. Cooperation is hindered by the absence of legislation, but also by the lack of coordinated actions between organisations. Whereas many organisations have one single responsibility (tax or social security or labour conditions) or are focussed on one sector only, undeclared work, by definition, is not confined to such boundaries.

### **Box 3.3 Difficulties that enforcement bodies face – fragmentation**

- The sharing of information between different authorities requires that legislation provides opportunities to do this. Subsequently, the authorities have to find effective models how to cooperate.
- Data sharing and risk profiling.
- Our organisation is limited to only operate across the agricultural and associated processing and packaging services. Exploitation of workers is not limited to similar boundaries.
- Lack of coordinated actions to reduce the scope of undeclared work.

#### *Not enough attention for preventative or curative measures*

In addition to the problems regarding repression, some respondents think that there is not enough attention being paid to prevention or curative measures. Preventative measures could take the form of information campaigns on risks of detection, on rights of workers, or on the positive aspects of taxes. In particular in those countries where the focus on undeclared work policy lies with the tax authorities, it could be necessary to pay more attention to measures that address the consumer or client, stressing certain desired behaviour.

#### **Box 3.4 Difficulties that enforcement bodies face – no other measures**

- They (measures) only focus on deterrence not on supporting people into formal economy (until recently)
- Insufficient knowledge of basic facts regarding our labour legislation on the part of labour migrants from third countries which makes them vulnerable and often dependent on recruitment agents/agencies.
- Lack of information campaigns.
- Instead of detection (which is expensive) we try to persuade people through information campaigns that undeclared work is not fair play.

#### *Other difficulties that enforcement bodies face*

The legal follow-up of detection is inadequate. Several respondents indicate that administrative and criminal penalties are too low. Therefore, they cannot function as an incentive to keeping one's records or as a disincentive to deploy employees without paying tax.

Finally, enforcement bodies experience a lack of resources to be able to conduct inspections properly.

### **3.3 Cross-border cooperation**

In the previous section problems on a national level were discussed. In this section we turn to those problems that have been experienced on an international level. The respondents to the questionnaire were asked to state the main difficulties in cross-border cooperation, its benefits and the lessons to be learned.

#### **3.3.1 Main difficulties in cross-border cooperation**

##### *Differences in systems, regulations, approaches*

All EU Member States have their own legal systems to address undeclared work. The answers to the survey indicate that these differences lead to problems in the cooperation between Member States. Differences occur with regard to the definition of undeclared work, priorities in addressing undeclared work, the national legal systems and the social systems. It also occurs that demanded information simply isn't recorded, or at least not in a way that makes it easy to share.

**Box 3.5 Difficulties in cross-border cooperation – systems**

- Obvious differences between countries how to look upon and define undeclared work.
- We all have different systems to understand our informal economies.
- We all have different priorities for addressing our informal economies.
- Different approaches to tackling our informal economies.
- The differences between the national legal systems as regards legal powers and ways of interaction.
- Differences in the way laws and administrative rules are applied across countries.
- Lack of effective legal mechanisms for cooperation and/or collaboration.
- Differences in wage and social welfare rates across countries.
- Differences in social systems and/or differences in governmental bodies which are responsible for certain kinds of information lead to the situation that the information you want, cannot be supplied.

*Operational shortcomings in information exchange*

Different respondents indicate that it is difficult to exchange information in a prompt and accurate manner with agencies in other countries. These difficulties have to do with different administrative cultures or even with simple problems such as language. They lead to delays in information exchange or to the exchange of insufficient information.

Often it is also unclear to which parties certain requests for information have to be addressed. This simple lack of knowledge about the institutional infrastructure in other countries also leads to inefficient cooperation or information exchange.

**Box 3.6 Difficulties in cross-border cooperation – information exchange**

- The differences in the content (meaning) of the terms used.
- No prompt answers.
- Information not supplied on time.
- Slow exchange of information.
- Delays in getting the requested information.
- Lack of information.
- Social security data is not yet electronically shared between the Member States.
- Lack of information about the responsible authority in the other (foreign) country
- Lack of knowledge about the competent foreign administrations or authorities, specifically from third countries outside the EU.
- Decentralised institutions (decentralised on regional and on legal basis, for every benefit a different organisation).

*Privacy, sovereignty*

Even when the relevant agencies in other countries are identified and information exchange is successful, problem can arise that have to do with the protection of the individual or national sovereignty. Privacy regulations sometimes prohibit the exchange of personalised information and the lack of competences outside the borders of the national territories makes it impossible to carry out inspections and to apply sanctions.

**Box 3.7 Difficulties in cross-border cooperation – privacy, sovereignty**

- Privacy issues when discussing data matching or data sharing.
- Data protection legislations.
- Legislative challenges to information/data sharing.
- Difficulties in applying sanctions to companies domiciled outside the country.
- Lack of competences outside national territories.
- We cannot carry out inspections in other countries, but our citizens do work there (undeclared).

**3.3.2 Benefits of cross-border cooperation**

Cross-border cooperation has not only been cumbersome. Benefits have already been experienced from international cooperation. Here we discuss the benefits of cross-border cooperations that were mentioned during the research. This section is partly based on the answers to the question: ‘*What if any, would you say have been the benefits of this cross-border cooperation?*’ Furthermore, we included information that came up during the workshops.

*Faster and more efficient exchange of information*

An important benefit of cross-border cooperation seems to be the exchange of information. This can include information about experiences or best practices, but also information on an operational level. Due to the cooperation, the exchange of information is faster and more efficient. Efficient exchange of information enables organisations to assess the legitimacy of cross-border employment because of the accessibility of information on the individual level, but also of the accessibility of knowledge about law, regulations and procedures in different countries.

**Box 3.8 Benefits of cross-border cooperation – exchange of information**

- Faster information exchange, higher efficiency in the treatment of the files.
- Sharing of knowledge and creating points of contact for cross-border cooperation.
- A very good exchange of concrete information on cross-border employment and posted workers and collaboration in the field.
- Better access to information and exchange of good practices.
- Exchange of experiences and best practices, more effective enforcement.
- Exchange of information about fraud with posted workers and/or by posting companies.
- Knowledge about law, regulations and procedures in different countries.
- Confirmation of whether companies are operating legitimately in the home country, and bringing potential non-compliance to the attention of the authorities.
- Assessing the real obligations of a worker; avoiding double taxation; getting to know other countries' legislation and practice.

*Unambiguous signals*

One respondent indicates that cross-border cooperation sends out unambiguous signals to taxpayers: “The Message to taxpayers (both compliant and non-compliant) is that the two countries are working together to tackle tax fraud”.

### 3.3.3 Lessons to be learned from cross-border cooperation

To conclude, we present the lessons to be learned according to the respondents of the survey. These lessons turned out to be very diverse and formulated as suggestions.

#### *The form of cooperation*

Different forms of cooperation are mentioned. The suggestions range from the sharing of experience to cooperation on the operational level (joint inspections). Not all respondents want to formalise cooperation.

#### **Box 3.9 Lessons to be learned - form of cooperation**

- All liaison offices should have one common cooperation platform, from which they would forward the requests or information to the competent national authorities or administrations.
- An expert committee such as the one that already exists for posted workers would be a good idea.
- There is a greater need for a common repository of what activity is illegal in each country, who investigates it, where the key contact point is, and what inspection practices occur and details of the sanctions that have been imposed, or could be imposed.
- Structural exchange of information.
- Sharing experience can be useful at the domestic level (e.g.: renewing legislation; picking up good practice).
- Coordination of national labour inspectorates at the European level is very necessary.
- Less formality and secure data exchange facilities.

#### *The outcome of cooperation*

Some answers give insight into the desired outcome of a structural international cooperation (regardless of the form it takes). Mentioned are: common goals and common guidelines, and definition of best practice. In addition, some answers show the shortcomings of partly successful cooperations.

#### **Box 3.10 Lessons to be learned - outcome of cooperation**

- Our working group (on social security) has been initiated on a rather informal basis. It certainly helps to inform each other, to get to know each other and to find each other when solving individual cases. However, it does not help to overcome legal disagreements (especially on data sharing issues) and it lacks political support.
- It's a very useful and important platform, but it has its limits in the sense that it is not a solution to all problems concerning cross-border social fraud, such as undeclared work and/or illegal employment.
- Attention on EU-level has been raised by the Ad Hoc group. This is important. However, when creating a European platform, it should preferably consist of participants coming from executing bodies.
- It is a perfect way to ascertain the main problems and to prepare common guidelines.

### 3.4 Conclusions

On a national level, the fight against undeclared work is often hampered by a lack of sense of urgency. The fact that often both employer and employee benefit from undeclared work (at least in the short run), often leads to tolerance concerning undeclared work. This makes it more complicated for agencies fighting undeclared work. On a national level, a lack of cooperation between relevant institutions, such as taxes and social security authorities, also hinders effective policies. Finally, a lack of resources is often mentioned as a problem in the fight against undeclared work.

International cooperation is hampered by a high level of variation in national regulatory systems in the realms of undeclared work, be it on labour regulations, tax systems or social security regulations. Therefore, efforts to enforce measures against cross-border undeclared work are confronted with operational shortcomings in information exchange (different systems, language, rules, definitions, and knowledge), privacy regulations and matters of national sovereignty.

Efforts to enforce measures against undeclared work on an international level are also hampered by differences in the sense of urgency across countries. A high priority to combat a certain type of undeclared work in one country can easily be frustrated by the lack of priority in another country that needs to cooperate in these initiatives.

When looking at cross-border cooperation, it seems that the most successful cooperations are those in which countries participate that have strong mutual interests, such as the cooperation between the Netherlands and Poland on posted workers, and/or when there exists a broader feeling of mutual understanding, such as in the case of the Nordic countries and their Nordic Treaty, or the cooperation within the Benelux or the Baltic states.





## 4 EU-LEVEL COOPERATION IN OTHER SECTORS

### 4.1 Introduction

This section provides an overview of European platforms that have been constructed in other areas of administrative activity. The aim is to identify the nature of cross-border cooperation in these other realms in order to learn lessons about not only what a European platform on undeclared work might include, but also the obstacles and challenges of establishing such a European platform for cooperation.

### 4.2 Case studies

To collect data on each of these forms of cross-border cooperation, firstly, desk-based research has been conducted. Secondly, interviews have been held with representatives of each of these forms of cooperation in order to identify the obstacles and problems confronted at the outset, any ongoing problems and obstacles, the strengths and weaknesses of the platform, possible legal obstacles, the associated costs and to identify any evaluation studies with respect to their added value. The outcome will be an evaluation of the lessons and perceived transferability of these issues to the establishment of a future European platform for cooperation to prevent and fight undeclared work.

The selection of the case studies was based on the potential comparability of the tasks or mission. Most of the organisations are therefore agencies or networks on judicial cooperation in criminal matters or are organisations with representatives from many different stakeholder groups. The following platforms have been reviewed:

- European Union's Judicial Cooperation Unit (EUROJUST)
- European Police Office (EUROPOL)
- Eurofisc network (EUROFISC)
- European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL)
- European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)
- European Crime Prevention Network (EUCPN)
- Community Fisheries Control Agency (CFCA)
- Network and Information Security Agency (ENISA)
- Food and Veterinary Office (FVO)

The following table represents the most important activities of each platform reviewed here. As can be seen, the primary activities of the agencies and networks differ. Some focus on operational coordination such as EUROJUST and EUROPOL, while the primary task of other agencies and networks involves the exchange of information.

**Table 4.1 Primary and secondary activities of platform**

Tasks	Form of cooperation	Information	Soft coordination	Expert advice	Operational coordination
<b>EUROJUST</b>	Agency				1
<b>EUROPOL</b>	Agency		2		1
<b>EUROFISC</b>	Network	1	2		
<b>IMPEL</b>	Network/assoc.	1		2	
<b>EMCDDA</b>	Agency	1		2	
<b>EUCPN</b>	Network	1		2	
<b>CFCA</b>	Agency		2		1
<b>ENISA</b>	Agency	1	2		
<b>FVO</b>	Directorate			2	1

Source: Ramboll, Eureval and Matrix (2009)<sup>32</sup> and assessment Regioplan

In the next sections each case study will include a description of the history of the platform, the structure of the organisation and its problems and benefits.

In the final sections of this chapter an analysis is made of the structure of the current forms of cooperation and the lessons and options for a European platform for tackling undeclared work in terms of the organisational structure, membership, responsibilities and tasks that may be performed.

#### 4.2.1 European Union's Judicial Cooperation Unit

##### *Legal basis agency*

Council Decision 2002/187/JHA of 28 Feb. 2002, amended by Council Decision 2003/659/JHA of 18 June 2003, and the 'New EUROJUST Decision', Council Decision 2009/426/JHA of 16 Dec. 2008 on the strengthening of EUROJUST.

##### *History*

The European Union's Judicial Cooperation Unit (EUROJUST) is one of the agencies involved in police and judicial cooperation in criminal matters. The foundation of EUROJUST was laid down during the Tampere meeting in October 1999, in which the creation of an area of freedom, security and justice was discussed. In Conclusion 46 of the European Council it was agreed that a 'unit should be set up, composed of national prosecutors, magistrates or police officers of equivalent competence, detached from each Member State according to their own legal systems'.<sup>33</sup>

The reasons for establishing EUROJUST were the occurrences of misunderstandings and difficult cooperation between the different Member States. In 2000, an expert group, Pro-EUROJUST, was set up to discuss the concept and goal of EUROJUST. EUROJUST was established in 2002 by Council Decision 2002/187/JHA 'setting up EUROJUST with a view to reinforcing the fight against serious crime' as a body of the European Union with legal

<sup>32</sup> Ramboll, Eureval and Matrix (2009).

<sup>33</sup> Website EUROJUST (2010).

personality. EUROJUST's activities relate to judicial coordination and judicial cooperation between relevant Member State judicial bodies. The aim of judicial coordination is to lead joint investigations of cross-border crime. The objective of judicial cooperation is to support Member States in investigations.

Because its operational tasks and involvement in European judicial cooperation grew, more powers and a revised set of rules have emerged with the new Council Decision 2009/426/JHA on the strengthening of EUROJUST. The aim of this decision is to strengthen the operational capabilities, increase the exchange of information, facilitate and enhance cooperation between national authorities and EUROJUST and enhance relationships with partners and third States.

The European Judicial Network (EJN) has existed since 1997. However, this network differs from EUROJUST in content and form. EJN's main focus is the exchange of information on a voluntary basis. EJN provides contact persons who can be approached if Member States have questions about national legislation in other Member States. The information exchange is often on a bilateral basis, whereas EUROJUST has a permanent structure with full-time professionals.

#### *Structure organisation*

All 27 Member States are involved and physically represented at one location. All national members are working at the head office in The Hague. The Member States are represented by a national member, deputy national member, assistants and seconded national experts. The representatives are paid by their respective country, while the seconded national experts and the EUROJUST administration are subsidised through EU general budget. Some Member States do not make use of seconded national experts, to reduce the administrative burden. In total, the number of employees at EUROJUST is 172 and it had a budget of twenty million euros (in 2008).<sup>34</sup>

EUROJUST only takes action if requested. This action is legitimised if two or more Member States are involved and if the issue at hand concerns serious organised crime. Requests are always related to one project or problem. In the first phase, the Member States involved discuss the problem and decide on the steps to be taken next. Afterwards, a meeting with the representatives of the organisations involved is organised. Every Member State decides which representatives of which organisations should join the particular meeting. The representatives involved decide which actions should be taken to tackle the problem.

#### *(Ongoing) problems*

The ongoing problems most frequently encountered concern differences between the institutional structures within the different Member States. These differences are accompanied by differences in responsibilities of organisations and positions of employees within these organisations. Responsibilities, power and role of for instance, public prosecution services, public prosecutors and magistrates can differ depending on the Member State and its corresponding institutional structure. Therefore, agreements between Member States have to comply with each of these differences, which is a complicated task.

---

<sup>34</sup> Ramboll, Eureval and Matrix (2009), part 3, p. 169.

Other ongoing problems concern the differences in the use and meaning of technical and legal jargon. The EUROJUST representative indicated that sometimes different formulations are used. For instance, in the Netherlands a 'suspect' is someone who may be guilty. In the United Kingdom a 'suspect' is already an 'accused'. Therefore, a joint European arrest warrant was developed, which clarifies these definitions. Furthermore, persons involved at EUROJUST speak 23 different languages, which sometimes causes misunderstandings.

Cultural differences and different attitudes towards work complicate cooperation. For instance, some people are used to formal organisational cultures while others prefer to work in informal cultures.

#### *Joint Investigation Teams*

Joint Investigation Teams (JITs) have been developed to facilitate cooperation between the Member States. The JITs originated from the 2000 EU Convention on Mutual Legal Assistance in Criminal Matters (2000 MLA Convention). The aim was to improve cooperation between judicial, police and customs authorities by updating existing mutual legal assistance provisions. Previously, formal international legal assistance was needed for every joint action. By using JIT, this is not necessary anymore, which saves time and reduces the administrative burden.

The following principles, which can be found in Council Document 11037/05<sup>35</sup> on JITs, were accepted:

- All Member States designate (one or more) national experts.
- National experts do not form a new formal network or overly bureaucratic structure, but should be able to meet collectively or in smaller groups.
- Meetings are organised in a flexible way, perhaps in the margins of a working group or at EUROJUST or EUROPOL.
- National experts are responsible for liaising with other persons and organisations within their Member States, so as to provide information and advice from that Member State.
- National experts are in a position to share best practices with one another on JITs.

However, JITs have not been widely used by the Member States due to certain problems. There was insecurity and uncertainty about national implementation of Article 13 of the 2000 MLA convention and/or the 2002 Framework Decision on JITs. Member States faced difficulties in harmonising this initiative with their national legislation. Another problem, as mentioned before, concerns the variation of institutional structures in the different Member States. Differences in responsibilities of organisations and positions of employees within these organisations cause misunderstandings.

Furthermore, Member States have to decide for each JIT which Member State should be in charge of this JIT. If Member States are faced with conflicting interests, it is difficult to decide which country should take the lead. Another problem concerning the use of JITs is the lack of funding and the decision as to which country should (financially) contribute to the cooperation.

---

<sup>35</sup> Council Document 11037/05.

#### *Perceived benefits of cooperation*

The strength of EUROJUST is that all 27 Member States are physically represented at one location. All national members are working at the head office in The Hague. Because of the physical proximity of Member States' representatives, problems are solved more easily.

Furthermore, EUROJUST facilitates cooperation between the different Member States. By exchanging information, Member States can help each other with crime related problems. Because serious crime often involves a cross-border approach and because legislation and procedures are different in every Member State, the Member States often benefit from the cross-border approach of EUROJUST.

### **4.2.2 European Police Office**

#### *Legal basis agency*

Treaty on the European Union of 7 February 1992. Council Decision 2002/187/JHA of 28 February 2002 setting up EUROJUST with a view to reinforcing the fight against serious crime. Decision transforming EUROPOL into an EU body from the first of January 2010 (2009/371/JHA<sup>36</sup>).

#### *History*

The European Police Office (EUROPOL) is one of the agencies involved in police and judicial cooperation in criminal matters. It is a European Union law enforcement agency based in The Hague. Its goal is to improve the effectiveness and cooperation of the competent authorities in the Member States with regard to preventing and combating terrorism, unlawful drug trafficking and other serious forms of organised crime.<sup>37</sup> EUROPOL's principal role is to gather, analyse and redistribute data. The establishment of EUROPOL was agreed in the Treaty on the European Union of 7 February 1992. EUROPOL started with limited operations in 1994, then progressively more important areas of criminality were added. The first ten years, the main focus of EUROPOL was on information exchange. EUROPOL started off with combating drugs smuggling.<sup>38</sup> The Member States agreed that this problem should be tackled.

In its meeting in Luxembourg on 6 April 2009 the Council of the European Union, Justice and Home Affairs, adopted a decision transforming EUROPOL into an EU body from 1 January 2010 (2009/371/JHA<sup>39</sup>). Within the new legal framework, changes can be introduced more rapidly in response to trends in crime. Instead of Member State funding, EUROPOL is now funded through the EU general budget. This has made EUROPOL an EU body, subject to the Financial Regulation and the Staff Regulations of the European Communities.<sup>40</sup>

---

<sup>36</sup> Council decision 2009/371/JHA.

<sup>37</sup> Website EUROPOL (2010).

<sup>38</sup> Interview EUROPOL (2010).

<sup>39</sup> Council decision 2009/371/JHA.

<sup>40</sup> Idem.

Therefore, in 2010, EUROPOL acquired a stronger mandate and new capabilities to fight international serious crime and terrorism. EUROPOL now has increased powers to collect criminal information and a wider field of competence in supporting investigations of serious offences.<sup>41</sup> Furthermore, EUROPOL is gradually moving from a bottom-up approach to a more strategy-oriented approach.

#### *Structure organisation*

EUROPOL is accountable to the Council of Ministers for Justice and Home Affairs. EUROPOL's governing board, the EUROPOL Management Board, gives strategic guidance and oversees the implementation of EUROPOL's tasks. It comprises one high-ranking representative from each Member State and the European Commission and decides by a majority of two thirds of its members. It consists of three departments: Operations, Government and Capabilities. The Joint Supervisory Body, comprising two data protection experts from each Member State, independently monitors the content and use of all personal data held by EUROPOL.<sup>42</sup> In total, the number of employees at EUROPOL is 418 and its budget is 68 million euros (in 2009).<sup>43</sup>

The Council adopted the decision to set up the Standing Committee on Operational Cooperation on Internal Security (COSI) (16515/09 and 5949/10). COSI is provided for in Art. 71 TFEU: 'A Standing Committee shall be set up within the Council in order to ensure that operational cooperation on internal security is promoted and strengthened within the Union.' COSI can also invite representatives from EUROJUST, EUROPOL, FRONTEX and other relevant bodies to its meetings and is supposed to help ensure consistency of action by these bodies.<sup>44</sup> Every Member State decides which person and organisation should represent its country in COSI.

Action by EUROPOL is legitimised if two or more Member States are involved and if terrorism or serious crime has occurred or an organised criminal structure is involved. Hence, this organisation focuses solely on cross-border issues.

#### *(Ongoing) problems*

One of the difficulties at the outset concerned the sovereignty of the Member States. This was an important obstacle for tackling crime in Member States at a supranational level. Member States do not easily delegate their power on such a delicate issue to a supranational body. The transition from a bottom-up approach to an institutional and strategic approach is therefore a long process, which requires intensive consultation and meetings.

Legitimacy is, next to sovereignty, an important aspect. EUROPOL, or any other European cooperation, needs to be effective. Efficiency alone is not enough to legitimise the existence of an organisation. Hence, facilitating the process and thereby increasing the pace of the

---

<sup>41</sup> EUROPOL press release (5 January 2010).

<sup>42</sup> Website EUROPOL (2010).

<sup>43</sup> Ramboll, Eureval and Matrix (2009), part 3, p. 176.

<sup>44</sup> Council conclusion, 2998th meeting Justice and Home affairs, Press release (25 February 2010).

process is not enough to legitimise its continuation. Cooperation should pursue effectiveness, focusing on goals that cannot be achieved without international cooperation. Furthermore, political support is important in this regard. The idea is that EUROPOL tackles those problems that are regarded as serious by the international community and for which there is enough public support. Therefore EUROPOL started with the problem of 'forgery of the euro'. This was accepted as a problem throughout Europe.

Other ongoing problems EUROPOL faces concern cultural differences. Diverse modes of communication, different languages and different business cultures complicate cooperation between Member States. Furthermore, different business cultures involve different attitudes towards the functioning of EUROPOL. A clear distinction can be made between the east and west of Europe regarding the favoured approach. Some Eastern European countries believe that EUROPOL should work from a bottom-up approach, in which it tackles problems on an ad hoc basis. Many Western European countries favour a top-down approach in which objectives are achieved by means of a strategic plan.<sup>45</sup>

#### *Perceived benefits of cooperation*

Since 130 EUROPOL Liaison Officers are based at EUROPOL headquarters, fast and effective cooperation is possible. Therefore, Member States can exchange information more easily, and are able to cooperate on international matters of serious crime.

### **4.2.3 Eurofisc network**

#### *Legal basis network*

Recast of regulation EC/1798/2003, described in the Communication 'Action plan to prevent and detect VAT fraud' of 2008. Legal basis is in progress: On 8 June 2010 the Ecofin Council reached agreement on the establishment of EUROFISC. The regulation will be adopted without discussion at a forthcoming Council meeting, once the text has been finalised.

#### *Development*

The EUROFISC network is still in development. It has been initiated by the ECOFIN Council to increase cooperation between Member States in combating VAT fraud.

EUROFISC will be a network of national officials to detect and combat new cases of cross-border VAT fraud. It should function as an early warning system by identifying cases of fraud more quickly and by enabling information on operators suspected of fraud to be shared more rapidly among tax authorities. The system will facilitate the exchange of information on fraudulent operators or operators suspected of fraud. The establishment of EUROFISC is part of the Recast of the former regulation EC/1798/2003 and is described in the Communication 'Action plan to prevent and detect VAT fraud' of 2008. On 8 June 2010 the Ecofin Council reached political agreement on a draft regulation aimed at stepping up the fight against VAT fraud, which also involves the establishment of EUROFISC.<sup>46</sup> The

---

<sup>45</sup> Interview EUROPOL (2010).

<sup>46</sup> Council agreement, 10730-10 (2010).

regulation will be adopted without discussion at a forthcoming Council meeting, once the text has been finalised.

#### *Structure organisation*

Since EUROFISC is still in development, the exact structure of the organisation has not been determined yet. However, the basic principles have been formulated, which are:<sup>47</sup>

- decentralised approach;
- voluntary participation of Member States;
- If Member States decide to join EUROFISC, active participation is obligatory.
- Confidentiality of information will be guaranteed.
- EUROFISC will not increase the administrative burden.
- Every Member State appoints a liaison official who is an expert in tax fraud. Their work will be led by coordinators whom they will designate among themselves.
- EUROFISC will not have legal personality. Its functioning would be organised by agreement of the participating Member States, with the support of the Commission.
- EUROFISC's activity will be regularly evaluated by the Member States.

#### *Problems at the outset*

From the outset, the persons involved agreed that the initiative should not entail the establishment of a European institution. A centralised body would involve too many difficulties regarding the allocation of responsibilities. Furthermore, there is no judicial basis for the establishment of a central body. Therefore, a decentralised approach was agreed from the beginning.

Another aspect that was unanimously approved was that EUROFISC should become an early warning system with the aim to improve administrative cooperation between the Member States. Therefore, the working group decided to start with this initiative first.

Problems confronted at the outset go back to a previous system, called 'Eurocanet'. This Belgian system also functioned as an early warning system in which experts cooperated. However, this system was not internationally approved and therefore lacked the judicial foundation to be used for European cooperation in tax fraud. Legislation in certain Member States did not allow for the use of such a system. Still, Eurocanet was used as a starting point for EUROFISC.

The working group on Anti Tax Fraud Strategy is still working on a legal basis for EUROFISC. The problems they encounter at the moment mainly refer to the formulation of legislation in such a way that all Member States are able to implement it in their national legislation.

The parties involved did not agree on suggestions for multilateral cooperation on joint inspections and joint risk analyses. The idea was that EUROFISC could initiate such cooperation for Member States that allow entrance to their database (VIES system). There

---

<sup>47</sup> Interview EUROFISC 2010 and Council conclusions, 2894<sup>th</sup> Economic and financial affairs (2008).



was no unanimity among the Member States with regard to this initiative, but they expressed their willingness to analyse these options in the future.<sup>48</sup>

Another important point of discussion is data protection and the exchange of data between the Member States. The severity of legislation on data protection differs between the Member States. Therefore, a European initiative cannot always be implemented in all Member States. The European Data Protection Supervisor (EDPS) decided however that if data exchange is intended to tackle VAT fraud, the exchange of information is legitimised.

#### *Expected benefits of cooperation*

Given that EUROFISC is not yet operational, we cannot indicate the expected benefits.

#### **4.2.4 European Union Network for the Implementation and Enforcement of Environmental Law**

##### *Legal basis association*

In 2008 IMPEL was transformed from an informal network into an international non-profit association under Belgian law.

##### *History*

The European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL) was established in 1992 as an informal network of European regulators and authorities concerned with the implementation and enforcement of environmental law. The international non-profit association consists of the environmental authorities of the Member States, acceding and candidate countries of the European Union and EEA countries.<sup>49</sup>

In 2009 a Memorandum of Understanding was signed between IMPEL and the Commission. It recognises IMPEL's role regarding the improvement of the implementation and enforcement of EC environmental law. Furthermore, it describes the cooperation between IMPEL and the Commission, including the designation of mutual contact points, information exchange between the Commission and IMPEL, participation, involvement and consultation of the commission and IMPEL.<sup>50</sup>

Over the 18 years of its existence, IMPEL has developed from a network into a formal association which drives the development of best practice in this field. The core objectives of IMPEL are to:<sup>51</sup>

- promote the exchange of information and experience between national, regional or local authorities competent for the implementation and enforcement of EC environmental law in the broadest sense, e.g. ministries, regulators, agencies and inspectorates;
- promote the development of national networks of such environmental authorities with special concern for the cooperation between these authorities at all government levels;

---

<sup>48</sup> Dutch Ministry of Finance, Communication Ecofin (30 October 2009).

<sup>49</sup> Website IMPEL (2010).

<sup>50</sup> Idem.

<sup>51</sup> Idem.

- promote mutual understanding of the common characteristics and differences of national regulatory systems;
- carry out joint enforcement projects;
- support, encourage and facilitate capacity building and training of inspectors and enforcers;
- identify and develop good and, whenever possible, best practices, produce guidance, tools and common standards and actively contribute to further improvements as regards inspection, permitting, monitoring, reporting and enforcement of EC environmental law;
- develop a greater consistency of approach, as appropriate, in the interpretation, implementation and enforcement of EC environmental law in the countries applying this law;
- provide feedback on better legislation issues with regard to practicability and enforceability and provide advice on the practicability and enforceability of new and existing EC environmental law to the European Commission and other EU Institutions, gathering information on experience of implementing and enforcing this law, from the practitioners' point of view;
- explore the use of innovative regulatory and non-regulatory instruments as alternatives for or complementary to existing regulation.

#### *Structure organisation*

Members of the Association can be environmental authorities or associations of environmental authorities, which are based in a Member State of the European Union, or an acceding or candidate country of the European Union, or an EEA country. This means that it brings together environmental regulators, policymakers and enforcement practitioners from all countries where EU environmental law is applied. Each country designates a national coordinator and a high level national representative.<sup>52</sup>

The General Assembly is the supreme body and the highest authority of the association. The General Assembly has power to do anything instrumental to achieve the objectives of the Association. It exercises all powers which are not conferred or delegated by the present statutes to another body. A meeting of the General Assembly is co-chaired by the National IMPEL Representative or National IMPEL Coordinator of the host country and the Chair of the Board.<sup>53</sup> The General Assembly is held two times a year.

The Board is the executive body of the Association. The Board is responsible for the day-to-day management of the Association and the implementation of the decisions of the General Assembly. The Board may take any measure required for the functioning of the Association in the interval between meetings of the General Assembly. The Board comprises the Chair, the Vice-Chair, the National IMPEL Coordinators or the National IMPEL Representatives of the last, present and next country holding the presidency of the European Union, and the Chairs or Co-chairs of the Clusters.

The General Assembly determines which projects should be included in the project plan. All actions are related to projects. Themes are divided into three sections: regulation, inspection

---

<sup>52</sup> IMPEL Statutes (9 May 2008).

<sup>53</sup> Idem.

and transfrontier shipment of waste. With regard to the latter, IMPEL started with joint inspections in 2004, in which seven Member States participated. Because these inspections were regarded as successful, all 27 Member States participated in joint inspections in 2010.

IMPEL receives financial support from the Commission through the LIFE+ regulation and through contributions from memberships. IMPEL does not have a central database. Information is exchanged via the secretariat and national contact points. The IMPEL website provides the opportunity to ask other members questions.

#### *Ongoing problems*

Difficulties arise at the start of a project, when Member States have to decide which parties should be involved. Institutional differences between Member States and the differences between the roles and responsibilities of organisations complicate the organisation of projects. For instance, the responsibilities of Customs in the different Member States vary. Furthermore, cooperating with new Member States sometimes causes difficulties, because in some cases, the responsible authorities have not been identified yet.

Other problems refer to the priorities of the different Member States. Some Member States do not actively support the association. They do not want to spend time or financial resources on the projects of IMPEL. Therefore, it is difficult to find project leaders who can lead the IMPEL projects. Some organisations of Member States do not want to be in charge because project leadership is too time-consuming.

Other encountered problems concern cultural differences. Some Member States have more informal operating procedures regarding for instance, data exchange, compared to other Member States. However, cooperation also creates mutual understanding concerning different legislation and national situations.

#### *Perceived benefits of cooperation*

Cooperation between the Member States usually works out well. Some Member States do not have relevant or up-to-date legislation which can be reported or signalled by IMPEL. Within the cooperation, Member States can exchange information on legislation and learn from each other. Furthermore, due to the fact that IMPEL does not report at a Member State level and as a result of its informal character, it is easier for members to take part in open discussions.

### **4.2.5 European Monitoring Centre for Drugs and Drug Addiction**

#### *Legal basis agency*

Founding Council Regulation (EEC) No 302/93 of 8 February 1993 on the establishment of a European Monitoring Centre for Drugs and Drug Addiction, adjusted in 2006 with Regulation (EC) No 1920/2006 of 12 December 2006 on the European Monitoring Centre for Drugs and Drug Addiction (recast).

### *History*

The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) was established in 1993, based on the founding Council Regulation (EEC) No 302/93 of 8 February 1993 on the establishment of a European Monitoring Centre for Drugs and Drug Addiction. In December 2004, the European Council endorsed the EU Drugs Strategy (2005-2012) which sets the framework, objectives and priorities for two consecutive four-year Action Plans to be brought forward by the European Commission. In February 2005, the European Commission presented an EU Drugs Action Plan (2005-2008). The founding regulation has been adjusted in 2006 with Regulation (EC) No 1920/2006 of 12 December 2006 on the European Monitoring Centre for Drugs and Drug Addiction (recast). The agency is based in Lisbon, Portugal and operating from there since 1995.

The EMCDDA's role is to provide the Community and its Members States with objective, reliable and comparable data at a European level. It collects, analyses and disseminates data on drug demand and supply, drug use, treatment, harm reduction and solutions applied to drug-related problems.<sup>54</sup>

According to the founding regulation of 1993, the mandate of the agency is to:

- collect information on drugs supply and demand;
- provide stakeholders with relevant information;
- provide professionals working in drugs with information;
- analyse all data by professional researchers;
- reduce drug-related crime;

Specific legislation 'the action on new drugs council decision' gave the agency a mandate for an Early warning system (June 1997 Joint action on new synthetic drugs and Council Decision 2005/387/JHA on the information exchange, risk-assessment and control of new psychoactive substances). To use the alert system, two combined networks are used, the international network of EMCDDA and the network of EUROPOL.

The (new) tasks of the agency are<sup>55</sup>:

- The EMCDDA's collection, registration and analysis work must also cover data on emerging trends in poly drug use, including the combined use of licit and illicit psychoactive substances, but also information on best practices in the Member States and the exchange of such practices among them.
- The EMCDDA is now also required to develop tools and instruments to facilitate the Member States' and the Commission's monitoring and evaluation of their respective drugs policies and strategies.
- Lastly, the scope of the Centre's technical assistance is extended to certain non-EU countries such as the candidates for EU accession or countries of the Western Balkans.

---

<sup>54</sup> Website European Commission, DG-JLS (2010).

<sup>55</sup> Regulation (EC) no 1920/2006.

### *Structure of organisation*

The Centre consists of two statutory bodies, a directorate to manage the Centre and several working units.<sup>56</sup> In total, a hundred employees are working at EMCDDA with a total budget of 14 million euros (2008).<sup>57</sup> The management board is the main statutory body of the Centre. It meets at least once a year and consists of one representative from each Member State, two representatives from the European Commission and two representatives designated by the European Parliament. Every three years, the Board adopts a three-year Work programme for the Centre. The Scientific Committee advises and assists the Management Board and the Director. The units run the Centre and ultimately deliver the outputs of the EMCDDA. The units are divided into two scientific units, two transversal supporting units and three units that collaborate closely with the scientific field of the EMCDDA. One of these last units is the Reitox and international cooperation unit, which is an important example of a network from which we can learn.

### *Reitox*

The Reitox and the international cooperation unit coordinate a network of contact persons in each Member State, the 'national focus points'. Together they form the European information network on drugs and drug addiction. The network was established from the outset, at the same time as the establishment of EMCDDA itself.

Their core tasks<sup>58</sup> are to update the national reports produced by the national focal points, describing the drug situation at a national level and to contribute to the information system on demand reduction activities (EDDRA). Furthermore, their task is to update the information maps produced by the focal points (except for the demand-reduction section, which is covered by EDDRA) and to carry out networking and animation activities nationally, in order to encourage and facilitate the implementation by the Member States of the existing five epidemiological harmonised key indicators. Besides that, they participate at a national level in the above-mentioned early warning system.

All Member States are involved from the outset of the network and were obliged to appoint focal points and to provide information by using set templates. The network makes use of a co-finance scheme of 50-50 per cent. Every Member State (for example Ministries of Health) contributes fifty per cent of the total costs.

The focal points are appointed by the Member States. The Centre did not have any influence on the appointment of the representatives. Furthermore, they have no possibilities to refuse a certain focal point. The focal points are from differing ministries or organisations, such as the Ministry of Health or the Ministry of the interior. According to our contact person, it turned out that the support of the ministry or organisation in which the focal point is represented, is more important than the field of competence of the ministry or organisation.

---

<sup>56</sup> Website EMCDDA (2010).

<sup>57</sup> Ramboll, Eureval and Matrix (2009), part 3, p.107.

<sup>58</sup> Website EMCDDA (2010).

#### *(Ongoing) difficulties*

The most important difficulties relate to the fact that the EU acquis concerning the EMCDDA is soft legislation. Therefore, if Member States do not cooperate, they cannot enforce this cooperation. They can only use soft legislation and therefore soft pressure; they cannot impose penalties. Therefore, EMCDDA has to convince these Member States to cooperate by using dialogues.

Another problem relates to the fast developments in the realm of drugs and drugs addiction. If problems are tackled, they are less visible. This has an influence on the willingness of Member States to financially invest in the network. If problems are less visible, the social commitment of the Member States decreases. Therefore, the most important challenge involves the political priority of Member States and their forthcoming financial contributions.

The difficulties experienced regarding the Reitox network concern the capacity of human resources. Usually, there are only one or two persons appointed as focal points in a country, which is not sufficient. These persons depend on other parties and resources to collect their information, before being able to send it to the EMCDDA. According to an evaluation on the EMCDDA Reitox website<sup>59</sup>, other difficulties are: respect of deadlines from Member States, unavailability of data and the involvement of the national networks and experts.

#### *Perceived benefits of cooperation*

Reitox is seen as one of the benchmarks for good cooperation between different parties. Their strength is that they are increasingly being recognised as experts on a very broad subject. Furthermore, the status and mandate of EMCDDA can be seen as a strength. Their geographic coverage provides for full cooperation and a wide view on drug problems in the European Member States.

### **4.2.6 European Crime Prevention Network**

#### *Legal basis network*

The European Crime Prevention Network (EUCPN) was set up on 28 May 2001 by Council Decision 2001/427/JHA and then re-established on 30 November 2009 by Council Decision 2009/902/JHA setting up a European Crime Prevention Network (EUCPN)

#### *History*

EUCPN is an EU-network that was established in 2001 by EU Council Decision 2001/427/JHA. The initiative for the network was taken by the UK, Germany, France and Italy. Their primary objective was to contribute to the development of the various aspects of crime prevention at Union level and to support crime prevention activities at the national and local level. The first council decision was repealed and replaced by a new Council Decision on 30 November 2009.

#### *Structure*

The Board of the EUCPN consists of nominated representatives from each EU Member State as well as observers from organisations which focus on crime prevention activities

---

<sup>59</sup> EMCDDA/Reitox evaluation (2004).

within the EU.<sup>60</sup> The Network has two Committees which are responsible for the Work Programme and research activity respectively. The Executive Committee is responsible for developing the Networks strategic approach for consideration by the full board and for developing and managing delivery of the EUCPN Work Programme. The European Commission is responsible for the provision of secretariat services to the EUCPN.

All 27 European Member States take part in this network organisation. Each country has a nominated national representative. These are usually representatives of the national Ministry of justice or Ministry of the interior. There are also substitute representatives in case the representative is unable to attend. Furthermore the different countries have contact points: these can be members and crime prevention experts of NGO's, universities, other ministries or other organisations (for instance a probation service, practitioners and academics).

The main aims of the EUCPN are to:<sup>61</sup>

- identify good practices in crime prevention and to share knowledge and experience gained between Member States;
- accumulate and evaluate information on crime prevention activities;
- improve the exchange of ideas and information within the Network;
- develop contacts and facilitate cooperation between Member States;
- contribute to developing local and national strategies on crime prevention;
- promote crime prevention activities by organising meetings, seminars and conferences.

These goals are being approached mainly through data-exchange via websites (diary page, news), emails, telephone and participation in conferences.

#### *(Ongoing) problems*

Last year an external evaluation was conducted. In this evaluation it was concluded that the board was not satisfied with the secretariat function. The secretariat did not provide a full service because they had insufficient funds to do so. For this purpose the European Crime Prevention Network was then re-established on 30 November 2009 by the mentioned Council Decision. A number of changes were required to strengthen the Network, which include amendments to the provisions dealing with contact points, the Secretariat, the structure of the Board and its tasks, including the appointment of the Chair.

Another problem concerns language difficulties. Most information on the website is in English, which can cause difficulties for contact persons or national representatives who do not master this language very well. Besides that, the network has to acquire policy documents, which are sometimes only available in the country languages. According to our interviewee this could occasionally be a reason for omitting interesting projects.

A weakness of the current set up of the organisation is the rotation of contact persons. The transfer of information between old and new contact persons is important.

---

<sup>60</sup> Website European Commission, DG-JLS (2010).

<sup>61</sup> Website EUCPN (2010).

#### *Perceived benefits of cooperation*

The strength of the organisation is the possibility for policymakers in Member States to exchange information. The network provides access to information about new strategic approaches. By making use of the website of the EUCPN it is easy to access information about a relevant policy topic.

Given that EUCPN has observers that are linked to various policy areas; they have a broad network that allows them to have access to a large amount of information. EUCPN has therefore a broad and integral view on the problem of crime prevention and adjacent topics. Furthermore, the engagement of Member States is increasing. A proactive attitude from members towards the network is essential. Member States need to be proactive, provide information to the current chair and to each other. Their engagement is improving since 2007. Organisations or institutions from the Member States increasingly contact their national contact points and ask for support or sharing knowledge. They realise more often that they benefit from their membership.

#### **4.2.7 European Network and Information Security Agency**

##### *Legal basis agency*

Established in 2004 by adopting the Regulation (EC) 460/2004

##### *History*

ENISA, the European Network and Information Security Agency, is a relatively new agency. It was established in 2004 by adopting the Regulation (EC) 460/2004. According to this regulation there was 'a need for closer cooperation at global level to improve security standards, improve information, and promote a common global approach to network and information security issues, thereby contributing to the development of a culture of network and information security'.

The mandate of the organisation is to 'apply the relevant Community legislation concerning public access to documents as set out in Regulation (EC) No 1049/2001(15) of the European Parliament and of the Council and the protection of individuals with regard to the processing of personal data as set out in Regulation (EC) No 45/2001(16) of the European Parliament and of the Council'. ENISA is European Community Agency. The operations of the agency started in 2005.

ENISA was initially established for a limited period. The current mandate ends in 2012. ENISA is now reorganised and their mandate has to be redefined. The new mandate is still in progress and is therefore unavailable at this moment.

##### *Tasks*

Its task is to become a hub for the exchange of information, best practices and knowledge in the field of information security. Its task is furthermore to bring the Member States together and advise the commission and the Member States regarding information security policy. It also assists the European Commission in the technical preparations for updating and developing Community legislation in the field of Network and Information Security.



ENISA assists the European Commission, business community and the Member States by providing information and advice. It serves as a body of expertise to carry out specific technical, scientific tasks in the field of Information Security to address, respond to and to prevent problems regarding Network and Information Security.

#### *Structure*

ENISA is one of the smaller agencies. ENISA has a total staff of 57, an annual budget of 8 million euros<sup>62</sup> and is structured with a:

- management board;
- executive director;
- permanent stakeholder group (PSG);
- national liaison officers (NLOs).

The Permanent Stakeholder Group exists of 30 experts from businesses from the different Member States. These businesses are from the field of information and communication technology industry, ICT user organisations and academic experts. The permanent stakeholders may give advice to the executive director.

The National Liaison Officers are representatives of ministries, academic institutions and national regulatory agencies. This network of NLO's serves as an important point of contact to gain access to the Member States on specific issues.

#### *(Ongoing) difficulties*

Cooperation between the Member States is going well so far. They have not encountered many problems yet. According to an interviewee, one of the problems is that the mandate of the agency is quite heavy compared to the financial resources it receives.

Furthermore, the issue of privacy is handled differently in every Member State. Member States try to solve these problems by structured dialogues. They identify the key commonalities and key differences through these dialogues.

#### *Perceived benefits and strengths*

One of the most important strengths of the organisation is the commitment and capabilities of its personnel. ENISA recruited information security specialists and specialists with a legal background. These highly qualified experts enable the agency to attack wider problems. Another strong point of the organisation is its database from which information can be exchanged between the different Member States and stakeholders.

### **4.2.8 Community Fisheries Control Agency**

#### *Legal basis agency*

Council Regulation 768/2005 establishing a Community Fisheries Control Agency and amending Regulation (EEC) No 2847/93 establishing a control system applicable to the common fisheries policy

<sup>62</sup> Ramboll, Eureval and Matrix (2009), Part 3, p. 128.

### *History*

The Community Fisheries Control Agency (CFCA) is a European Union agency which was established in 2005 (operational since 2007). Their aim is to organise operational coordination of fisheries control and inspection activities by the Member States. Furthermore, to comply with the rules of the Common EU Fisheries Policy, it assists the Member States to cooperate with each other, so that effective and uniform application can be achieved.

The reason for its establishment was the variety in legislation regarding fisheries control and inspection in the different Member States. Given that the territorial waters are adjacent to one another, fishers could easily circumvent Member States with strict legislation. There were some bilateral agreements but no structural solutions to solve the problem. According to our interviewee, Member States needed a driving force to increase cooperation on a structural level to prevent the agreements from watering down.

The agency's core task is to facilitate cooperation on an operational level. Joint actions are being set up for surveillance and inspection activities. CFCA also assists the Member States in their relations with third countries and Regional Fisheries Management Organisations (RFMOs) and ensure dialogue with stakeholders. Other tasks are cooperation on methodology, facilitating the pooling of data on fishing activities and control, organising training programs for fisheries inspectors and carrying out joint risk analysis. Occasionally members cooperate on joint tenders, for instance to purchase measuring equipment for fishing nets.

### *Structure*

Around fifty staff members of different Member States are working together in the office in Vigo, Spain. Its budget was 5 million euro in 2007 and reached 9 million euro in 2009, mainly composed of EU subsidies.<sup>63</sup> Depending on the project, CFCA works with varying national experts. These experts are seconded from coastguards, maritime organisations or ministries of the concerning Member State. Often, there is one official national service responsible for fisheries inspections. For instance, in the Netherlands the Food and Consumer Product Safety Authority of the ministry of agriculture, nature and food quality is responsible, in the UK there is a special agency, while in Italy the coastguard is responsible.

The Administrative Board comprises one representative of each Member State and 6 representatives of the European Commission. The Administrative Board appoints the Executive Director of the Agency. The advisory board advises the executive director of the Agency and is composed of representatives of the Regional Fisheries Councils.

For each project, a special steering group and a technical joint deployment group are established. A joint deployment plan is an instrument through which the agency organises the deployment of national human and material means of control and inspection pooled by Member States. This is coordinated by the agency through national coordination centres or national coordinators.

---

<sup>63</sup> Ramboll, Eureval and Matrix (2009), part 3, p. 33.

#### *(Ongoing) problems*

One of the ongoing problems is that its competence is limited to sea, not land. If they want to arrest a ship that just violated the law and is about to moor in a harbour, they need permission of the concerning Member State. Therefore, they often ask an inspector of the concerning Member State to join them on board and to make a report of the offence.

Other problems that were mentioned concern cultural differences, different traditions and different working cultures.

In the past CFCA also experienced problems concerning the different professional background of the representatives. Countries have different political priorities which becomes evident in the available budget, capabilities and means of a Member State. In the past, some authorities did not have the necessary mandate to draw up an official report for example. Today, these differences have become less apparent though.

#### *Perceived benefits*

There is a willingness of Member States to cooperate, because they agree on the priority of the subject of fisheries control. Another strength of the agency is that violating the law is always punished, without procedures getting in the way.

The added value of the agency is that it contributes to sustainable fishery by enhancing compliance. Furthermore, by ensuring that everyone in the fisheries sector meets the European obligations, all offenders in the different Member States are treated equally, wherever the offender is operating.

### **4.2.9 Food and Veterinary Office**

#### *Legal basis of the activities of the directorate*

Art. 45 (MS) and Art. 46 (TC) of Regulation (EC) No 882/2004 of the European Parliament and of the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules.

#### *History*

From 1979 to 1996 Commission controls and inspections on food were organised within AGR1 (veterinary and phytosanitary matters) and ENTR (general food hygiene). After the BSE crisis in 1996, the European Member States decided that a European-wide approach towards health and food safety was essential and that food safety matters should be seen as a public health concern rather than a commercial agricultural interest. A number of institutional reforms were implemented and food safety responsibilities were transferred from the DG Agriculture and DG Industry to a Directorate-General for Consumer Policy and Health<sup>64</sup> (DG for Health and Consumers). As part of these institutional reforms, the Food and Veterinary Office (FVO) was established.

---

<sup>64</sup> Hellebo (2004), p. 21.

The Commission is responsible for ensuring that Community legislation on food safety, animal health, plant health and animal welfare is properly implemented and enforced. As a Commission service, the FVO plays an important role in fulfilling this task.

The mission of the FVO, through its evaluations, is to:<sup>65</sup>

- promote effective control systems in the food safety and quality, veterinary and plant health sectors;
- check on compliance with the requirements of EU food safety and quality, veterinary and plant health legislation within the European Union and in third countries exporting to the EU;
- contribute to the development of EU policy in the food safety and quality, veterinary and plant health sectors;
- inform stakeholders of the outcome of evaluations.

#### *Structure*

The FVO is part of the Directorate-General for Health and Consumers and it is based in Grange, County Meath, Ireland. The office has seven units, including five inspection units responsible for:

- food of animal origin, mammals;
- food of animal origin, birds and fish;
- food of plant origin, plant health;
- animal nutrition, import controls, residues;
- animal health and welfare;

and two non-inspection units responsible for:

- country profiles, coordination of follow-up;
- quality, planning, development.

The number of staff working in the FVO has increased from 74 in 1997 to its present number of 163 employees. Of these, 81 are inspectors, who participate regularly in on-the-spot inspection missions.<sup>66</sup> Most of these inspectors are full-time officials of the FVO and are based in Ireland as well. These officials do not represent a particular Member State; they have a neutral position when visiting a Member State for inspection. The inspectors carry out their mission by assessing the performance of national competent authorities and compliance with EU requirements. Furthermore, they carry out on-the-spot inspections and report their findings via internet publications.

Each year the FVO develops an inspection programme, identifying priority areas and countries for inspection, which is reviewed mid-year. The findings of each inspection carried out under the programme are set out in an inspection report, together with conclusions and recommendations. The competent authority of the country visited is given the opportunity to comment on the reports at draft stage.<sup>67</sup> The FVO makes recommendations to the country's competent authority to deal with any shortcomings revealed during the inspections. The competent authority is requested to present an action plan to the FVO on how it intends to

---

<sup>65</sup> Website FVO (2010).

<sup>66</sup> Website FVO (2010).

<sup>67</sup> Website FVO (2010).

address any shortcomings. Together with other Commission services, the FVO evaluates this action plan and monitors its implementation through a number of follow-up activities.

In addition, the FVO produces other reports, such as general overview reports that summarise the results of a series of inspections to a number of Member States on the same subject.

The results of the inspections are laid down in country profiles. A country profile is a compilation of key information for each Member State used by the Commission to support its monitoring and enforcement activities.

#### *Informal network*

An important development is the creation of an informal network facilitated by the FVO. This informal network was initially created in a formal setting with the establishment of an expert working group on a specific topic. Because of the experienced benefits of this working group, it was decided to continue this network in an informal setting. The experts of the network exchange information, and best practices and assemble regularly to deliver presentations on a specific subject related to food safety.

#### *(Ongoing) problems*

The inspectors experience few problems, when performing inspections. In some cases, parties in Member States fail to cooperate. Other difficulties faced by the inspectors are related to the level of conformity to European legislation in the different Member States. If Member States do not comply with these rules, the inspectors have to analyse the reasons for not complying. These reasons often relate to a lack of human and financial resources and a lack of efficient procedures and infrastructure.

#### *Perceived benefits*

One of the main benefits of the organisation is that it strengthens and promotes mutual trust and confidence among Member States and their inspection procedures. For the internal market it is important for each Member State to have an idea of the inspection procedures in other countries and to ascertain that community legislation on food safety, animal health, plant health and animal welfare is properly implemented and enforced. The same holds for the business relations with third countries. Member States and their consumers can be assured that consumer goods are safe because of the regular inspections in third countries.

Given that inspections are held regularly, the European Parliament gains insight into the implementation of European legislation on food safety, animal health, plant health and animal welfare.

An important benefit of the distinctive institutional setting of the FVO within the DG for Health and Consumers is the direct communication and information exchange between the European Commission and the FVO. In the past, an institutional reform was suggested, in which the responsibilities of the FVO would be transferred to an agency. However, it was decided that the current institutional setting is more beneficial because of the strong connections with the Directorate-General and the European Commission.

A recommendation of one respondent of the FVO concerning the establishment of a European platform to prevent and fight undeclared work is to keep in mind the importance of informal networks. The network that is facilitated by the FVO is very effective because of the regular meetings and its informal character. Members do not represent a Member State or organisation, but are involved on the basis of their practical experience and expertise. The experts exchange information, and best practices and deliver presentations regularly. The FVO repeatedly receives positive feedback from the persons involved.

### 4.3 Current forms of cooperation

The organisational structure of a European platform for cooperation can range from a service within a Directorate-General of the European Commission (such as the FVO) and the creation of a centralised agency set up to accomplish a very specific technical, scientific or managerial task through looser organisational forms such as informal networks. At one end are various types of bodies to promote and develop cooperation between Member States that seek to provide a forum for cooperation and the exchange of good practices whilst at the other end, there are even looser organisational forms such as informal networks in which representatives from Member States meet to exchange information. Although an evaluation of EU agencies has been carried out<sup>68</sup>, no known evaluations have assessed the relative merits of these different organisational forms in achieving their objectives.

Nevertheless, examining the evolution of the organisational forms in particular fields, they seem to develop from looser organisational forms such as informal networks through to more formal organisational forms with broader responsibilities and activities. For example, EUROPOL emerged out of the EUROPOL Drugs Unit (EDU) and IMPEL out of a more informal network.

The platforms can engage in cooperation on issues related to strategy, operations, data sharing or some mixture of all three functions. Until now, and reviewing the practices above, the issue of data sharing has been a common focus for European platforms. This cooperation takes place in a variety of forms. Data sharing ranges from the sharing of non-personal data to personal data. Non-personal data can be shared on strategy, evaluations of initiatives and best practice in a wide variety of forums that lie on an informal-to-formal spectrum ranging from annual conferences and seminars, through the establishment of knowledge banks (e.g., EMCDDA), to the conducting of reviews, inspections and evaluations of national systems and good practice feedback from EU-agencies. Similarly, sharing of personal data can be provided in a wide variety of ways ranging from bilateral exchanges (e.g., joint operations) to the sharing of personal data via secure hubs that either collate and/or share information.

When such cooperation takes place on either strategy, operations, data sharing, or some combination of all three, the nature of the cooperation can be of at least three varieties. Firstly, it may simply involve 'exchange' in the sense that information and data is exchanged through for example workshops or electronic data sharing networks. The objective in doing

---

<sup>68</sup> Ramboll, Eureval and Matrix (2009).

so is to increase efficiency at the operational level. In this case, therefore, each Member State continues to operate largely independent, but there is some exchange of information, data and experience (e.g., EMCDDA or EUCPN). Secondly, it may involve 'cooperation' in the sense that each member uses the information, data and experience provided by other nations in its daily practices. Third and finally, there is collaboration where nations work together on common projects with shared common targets, such as EUROPOL and EUROJUST.

To conclude, there is the issue of the range of partners involved in such European platforms. The membership of European platforms can range from just Member State representatives to the full range of social partners and stakeholders. Some European platforms, therefore, operate a membership structure in which there is one representative from each Member State and each Member State has one vote. Several cross-national co-operations occur between those within the same government tier. A few, however, involve partners from across different tiers of government, such as the EMCDDA where representatives come from different ministries. Other platforms choose to involve different partners and experts based on the nature of the project, (e.g., EUROJUST and CFCA). Others, furthermore, seek to include the full range of public and social partners, such as IMPEL or the European Crime Prevention Network (EUCPN), or involve a full range of stakeholders, such as ENISA, where a permanent stakeholder group is set up.

#### **4.4 Obstacles and benefits**

In this section we will identify the main obstacles and benefits regarding European platforms. These are based on the analysis of the nine European platforms in other sectors from our case studies. In chapter 5, we will analyse the transferability of these findings to the feasibility of establishing a European platform for cooperation between labour inspectorates and other relevant monitoring and enforcement bodies to prevent and fight undeclared work.

##### *Obstacles*

The most important obstacles that are indicated by representatives of European platforms in other sectors are:

- differences in institutional structure (different organisations are responsible);
- functional area of cooperation:
  - sovereignty (politically delicate subject);
  - legitimacy (sense of urgency/effectiveness);
- cultural differences:
  - language barriers;
  - different technical legal jargon;
  - different operating procedures/attitudes towards work;
  - different favoured approach towards organisation (bottom-up/top-down etc);
- compatibility European legislation with national legislation;
- division of tasks: who should take the lead?;
- funding (EU general budget or MS funding);

- voluntary participation;
- confidentiality of information/data protection.

Many platforms encountered difficulties regarding differences in institutional structures in the Member States, regardless of the functional area of the cooperation. Many differences exist between Member States with regard to the systems in which their compliance or policy departments are structured. In some Member States one single unit is responsible for the whole sphere of work. Others have multiple departments, each responsible for a segment. It is important to determine in advance which organisations and persons within these organisations are the key players or stakeholders. Furthermore, their level of involvement and responsibility is essential. Platforms indicated that they face difficulties when decisions have to be made and different persons have final responsibility. For instance, public prosecutors or magistrates have different positions and responsibilities throughout Europe, which could result in misunderstandings when final decisions have to be made.

The functional area of the cooperation is an important aspect. If the functional area of the cooperation concerns a delicate subject, such as national safety, the sovereignty of a Member State could be impaired. Member States will therefore be less likely to cooperate on a supranational level. Furthermore, the subject of European platforms should have political and public support: there should be a sense of urgency. The objective of the cooperation has to be regarded as a universal problem by all Member States and tackling this problem has to be accepted by all Member States as a legitimate action. Therefore, the platform should pursue common goals. If the issue at stake cannot be achieved without international cooperation, the continuation of the cooperation is legitimised and Member States and organisations are more likely to cooperate.

Cultural differences play an important role in European platforms. On the one hand they can be seen as an enrichment of an organisation, on the other hand they can obstruct the functioning of the organisation. Working in an organisation in which 23 different languages are being used causes misunderstandings and difficulties.<sup>69</sup> In addition, people from different countries and cultures are used to different technical and legal jargon. Different wording is used for different positions, subjects and actions. For instance, in the Netherlands a 'suspect' is someone who may be guilty. In the United Kingdom a 'suspect' is already an 'accused'. Therefore, all parties have to determine which wording should be used beforehand.

Other cultural differences manifest themselves in different operating procedures and attitudes towards work. For instance, persons who are used to informal organisational cultures encounter difficulties when working with people from formal cultures. Furthermore, organisations in some Member States have more political priority than in other Member states.

Other experienced difficulties relate to differences in national legislation and its incompatibility with European initiatives. If Member State legislation is stricter than European legislation, Member States will be hesitant to cooperate. The legal basis of the initiative has to be formulated in such a way that it is compatible with national legislation.

---

<sup>69</sup> The SLIC tackles this issue by establishing a glossary of terms.



On a practical level, representatives of European platforms indicated that they sometimes experience difficulties concerning the division of tasks. Because of conflicting interests, Member States try to take the lead during a project to increase their influence. In some cases this may result in competition between the Member States. In other platforms, Member States do not want to be in charge of a project, because project leadership is too time-consuming.

Furthermore, there is often discussion on who should finance the projects of the European platforms. Some platforms are subsidised through the EU general budget. However, in many platforms, Member States have to finance joint actions themselves. Different priorities and conflicting interests can therefore cause discussion.

Some representatives argued that voluntary participation of Member States causes problems. Voluntary participation has a negative effect on the progress of the operation and the pace of information exchange. Participants do not respond to requests quickly if they are not obliged to do so.

Finally, confidentiality of information makes the exchange of data difficult. Confidential data are protected by law. In some Member States legislation concerning data protection is very strict, which makes information exchange difficult.

#### *Benefits*

Despite a number of disadvantages, the respondents have argued that the perceived benefits outweigh the experienced obstacles. Most interviewees mentioned that their platform contributes to and facilitates cooperation between the different Member States. By exchanging information, exchanging best practices, consultation of experts, establishing databases and coordination of operations, the goal of a platform can be achieved.

Numerous issues that are considered problems across Europe and cannot be tackled on a national level, call for a cross-border approach. Because the stakeholders have common goals, international cooperation is beneficial for them in terms of exchange of (personal) information exchange, exchange of expertise or (operational) cooperation. Operational cooperation, such as joint inspections, is also beneficial for the strengthening of mutual trust and confidence among Member States.

European cooperation on national issues is considered valuable as well. By exchanging information and best practices from different Member States and therefore from different points of view, Member States can learn from each other.

Interviewees of the agencies also mentioned the relative benefits of basing all representatives of the different Member States at one location. Because of the physical proximity of representatives, communication is more direct and issues more easily solved. A benefit of more institutionalised platforms concerns their status and mandate, which provides them with a tool to keep all Member States actively involved. A Commission service within a Directorate-General benefits from its direct contact with the European Commission. An advantage of an informal network is that its informal character will lower the barrier for those Member States or representatives to join the network, that at first were hesitant to cooperate.

## 4.5 Conclusions

Many different forms of European cooperation exist which range from loose, informal networks or expert groups through formal bodies, such as European agencies or associations. There appears to be a development from informal networks to more institutionalised bodies. The tasks and objectives of these platforms vary from information exchange (personal and non-personal), expert groups to coordination on operational cooperation. The nature of cooperation between the Member States could simply involve data exchange. Other partners of platforms cooperate depending on the commonalities of projects and targets. Representatives or partners of European platforms are from national governments, enforcement bodies, social partners, research institutes and businesses.

The most important obstacles that are experienced involve the institutional differences between the Member States and their different roles and responsibilities in policymaking. Other problems involve the legitimacy and sovereignty of the issue, cultural differences, differences in Member State legislation, division of tasks, funding, voluntary participation and confidentiality of information.

The main benefit of these platforms seems to be the ability to deal with European wide problems that call for a cross-border approach. Other benefits include mutual learning from a broad perspective and the active involvement of Member States.

## 5 FEASIBILITY OF A EUROPEAN PLATFORM ON UNDECLARED WORK

### 5.1 Introduction

The aim of this project is to provide an overall assessment of the feasibility of establishing a European platform for cooperation between labour inspectorates and/or other agencies to prevent and fight undeclared work.

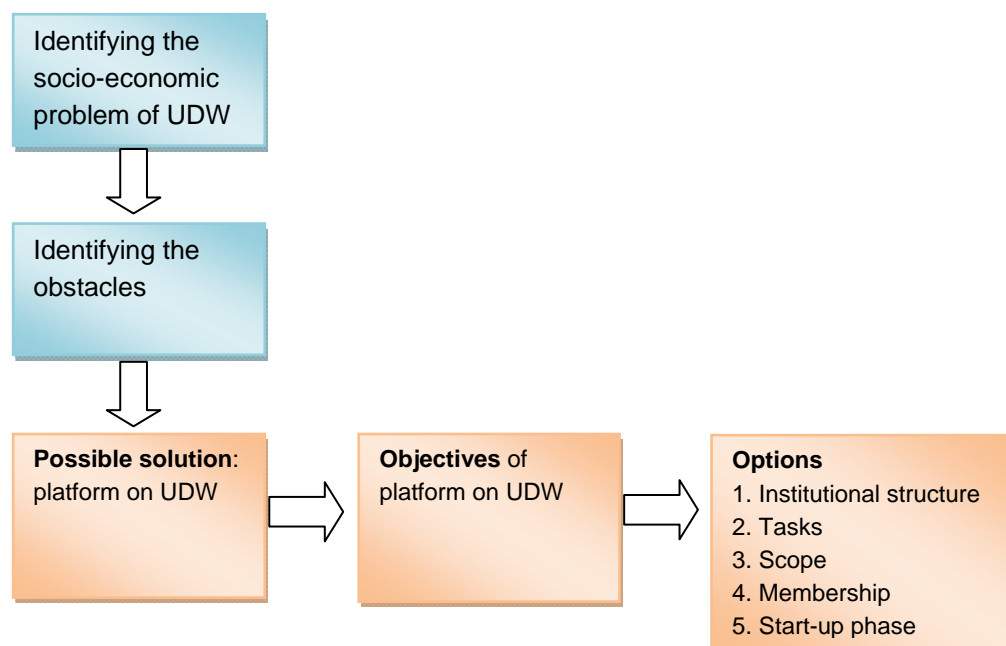
In this chapter we present a range of different overall options and the various constituent components ('building blocks') for a platform. Inductively arising out of the workshops, this chapter presents several possible alternative designs and assesses their feasibility.

### 5.2 The dimensions of analysis

Before evaluating the feasibility of various possibilities for a European platform, the following dimensions need to be reviewed:

- What is the problem and what are the obstacles to tackling undeclared work (following chapter 1-3)?
- What are the possible solutions to solve this problem and to deal with the obstacles?
- What should be the objectives of a platform?
- What are the possible options for a European platform in terms of the following issues?
  1. *Institutional structure/setting* (an agency, expert group, network etc.).
  2. The range of *tasks* of the European platform that have the potential to provide the greatest added value for the objective of enhancing the effectiveness of national enforcement bodies in tackling undeclared work, at minimal costs.
  3. Whether such a platform should aim at cooperating on *all aspects* which are of interest for preventing and combating undeclared work in all its forms, or *only on cross-border* aspects of undeclared work; and if the latter is pursued, whether cooperation should focus, at least initially, on a few specified situations such as posting of workers.
  4. The extent to which, besides labour inspectorates, *other bodies* responsible for detecting and sanctioning undeclared work, such as social security inspectors and tax authorities, should be involved.
  5. Whether it is feasible to establish such a platform *progressively*, by starting with a certain *number of Member States* whose enforcement systems appear similar, and enlarging it with time.

**Figure 5.1 Dimensions of analysis**



### **5.2.1 Problems, obstacles and possible solution: platform on UDW**

Although it is difficult to obtain a clear picture of the size of the undeclared part of the economy, it is beyond doubt a factor of importance in Europe. Recently, countries in the Southern part of Europe in particular have strengthened their policy measures in order to increase tax income and close the tax gap. Tax evasion, partly through undeclared work, is seen as one of the major reasons for the economic problems that these countries are facing.

Undeclared work is not only perceived as a problem from a fiscal point of view. Social security regulations are breached, threatening the social security of individuals and undermining the system of collective provision. Undeclared work is also often performed under conditions that are not safe or healthy and contravene national labour laws. Altogether, from a fiscal, social security and labour law perspective, undeclared workers mean unfair competition for those declared workers and formal employers who do obey the rules.

For these reasons, and doubtless many more, combating undeclared work is regarded as an important policy theme in many European countries. Consequently, in the majority of the European countries, policy measures are pursued to tackle the problem of UDW.

In most countries, they take the form of deterrence measures, which are seen as most effective. Nevertheless, many policy professionals in European countries would

rather see more emphasis on enabling measures or policies that foster commitment to existing tax, social security and labour rules. It is of great importance in their eyes that cultures of tolerance of undeclared work are transcended and that greater commitment emerges to comply with existing rules and regulations.

Efforts to create and implement effective policy measures seem to be confronted by several obstacles.

At the national level, the barriers are:

- Lack of resources and knowledge to tackle the various types of undeclared work. What instruments can be used to detect undeclared work?
- Fragmentation in the fight against undeclared work. Organisations, such as labour inspectorates or tax authorities are confronted with the boundaries of their competence and responsibility (jurisdiction). Tax authorities are hardly interested in infringements of labour law regulations, and labour inspectorates have no say in fighting tax evasion.
- Lack of context sensitivity. Little attention is paid to the overall factors that often lead to the growth of undeclared work through a complex mix of circumstances (unemployment, tax rates, low trust in government). A complex set of causes is too often confronted with single policy solutions implemented on an uncoordinated basis.

At the cross-border level, the barriers are that:

- A high level of variation exists in national regulatory systems in the realm of undeclared work, be it on labour regulations, tax systems or social security regulations. Therefore, efforts to enforce measures against cross-border undeclared work are hindered by operational shortcomings in information exchange (different systems, language, rules, definitions, knowledge), privacy issues and matters of national sovereignty.
- European regulation and legislation, intended to facilitate coordination between these systems on a European level (directives on social security, posting of workers or free movement of services), seem to create new possibilities for non-regular forms of labour.
- Efforts to enforce measures against undeclared work on an international level are also hampered by differences in the sense of urgency across countries. A high priority to combat a certain type of undeclared work in one country can easily be frustrated by the lack of priority in another country that needs to cooperate in these initiatives.
- The lack of legal instruments on a cross-border level also curtails the ability to tackle undeclared work.

### **A possible solution: a European platform**

The necessary efforts to step up international cooperation between individual countries have occurred on a piecemeal basis. Moreover, the coordination of multi-national cooperation is confined to single policy pillars, such as purely tax, solely social security or simply labour law (IOTA, Administrative Commission/Tress, SLIC, Expert Committee on Posted Work). Initiatives aimed at an integrated approach to

undeclared work are scarce and created as rather modest, temporary projects, like ENUW.

The outcome is that one way forward might be to develop a European platform for cooperation between labour inspectorates and/or other agencies to prevent and fight undeclared work.

### 5.2.2 Mission and objectives

The mission of the platform would be to contribute to preventing and fighting undeclared work by means of cooperation between labour inspectorates and other relevant monitoring and enforcement bodies.

The mandate of a platform on UDW would clearly be to tackle the problems and obstacles identified in the previous section. The objectives of a platform are closely related to this mandate.

The aims and objectives of a European platform might be:

- to develop (operational) cooperation between Member States, where nations work together on arriving at a common understanding, and at common projects with shared common targets. Stakeholders that are addressed by this objective are targeted institutions and executive bodies in Member States.
- to develop a specific expertise or capacity in fighting undeclared work. Stakeholders that are addressed by this objective are executive bodies in Member States and in the European Union.
- to raise awareness/provide information on undeclared work. Stakeholders that are addressed by this objective are policymakers, executive bodies and the public at a European level.

Having identified the objectives of a platform, the next step is to consider the characteristics a possible platform should possess to meet these objectives.

## 5.3 The options for a European platform

In this section we describe the options for a European platform on the basis of the following subjects:

1. Institutional structure
2. Tasks
3. Aspects
4. Membership
5. Start-up phase

We start by describing the various options in relation to each of these subjects. Then, on the basis of the questionnaire, the interviews and workshops, the views of the stakeholders are presented. To conclude, we consider the fit of the options to the specific objectives of a platform.

### 5.3.1 Options: institutional structure

The following options relate to the possible institutional structures for a European platform. It is important to note that the labels of certain institutional structures may be interchangeable depending on how one defines each institutional structure. Below, they are listed according to our definitions of each of these structures, which relate to their scope, institutionalisation, permanency, scope of tasks and formality.

#### 1. Agency

One option is to create a new agency on undeclared work. This agency might not be an institution of the European Union, but a body that is established under EU law for the specific task of tackling undeclared work. The word 'agency' is not the official name of all EU agencies. They are also named, for example, Centre, Foundation, Institution or Office. Agencies handle technical issues related to EU legislation and policy, thus allowing the European Commission to focus on its core functions. At present, there are over 20 such Agencies.

An agency is created by Regulation. The creation of an Agency on Undeclared Work would be overseen by a Management or Executive Board. Each Member State (or EFTA or candidate country) would nominate at least one representative and the Commission would be represented by several board members. Following the structure used in existing agencies, technical committees would oversee specific areas of work. The agency would be led by an Executive Director and have a permanent staff, and its own offices.

#### ***The agency system***

There is no single legal framework governing the establishment and closure of European decentralised agencies. European agencies have been created on a case by case basis through various mixes of political interests.

The addressees of agencies' activities range from policymakers and public managers at EU and Member State levels to a targeted public on the EU market, most often enterprises. There is a broad consensus among these stakeholders that the needs which the agencies were set up to address were pertinent at the time. This opinion is particularly emphasised in the case of 'internal market agencies' and agencies addressing problems that transcend national borders.

Source: 'Evaluation of the EU-decentralised agencies in 2009', part 2, p. 25

At one end of the spectrum, an agency could be an EU single compliance unit responsible for ensuring that EC legislation, directives, decisions and regulations on undeclared work are implemented by Member States and that nations both comply with and adopt best practice through an ongoing review of their practices. Given that there is currently no common definition of undeclared work, that legislation on this issue is national, that there are no common or minimum standards for inspectorates (although the ILO is currently addressing this for labour inspectorates) and that this

might perhaps contravene the subsidiarity and proportionality principles, this policy option is not further considered at this moment in time. It should not, however be ruled out for the future if a body of EU-wide legislation, directives, regulations and decisions emerges in the field of undeclared work.

At the other end of the spectrum, there could be smaller agencies not so much mandated by the Commission, but rather by a DG. They could be referred to as executive agencies, implementing the policy of a DG, instead of their own policy.

## 2. European network

Another possibility would be to organise and manage the activities through a European network for cooperation among Member States. In contrast to an agency, the connection to the Commission of a European network could be less formal. It can have a voluntary membership, like IMPEL, in which every Member State can participate or not, and participation in individual projects can also vary.

Subgroups could be formed, comprising a wide range of social partners and partners from the field of tax, labour law and social security. These subgroups could take forward the technical discussions on specific issues (e.g., common measurement methods; best practice dissemination; operational collaboration), by means of, for example, 'task and finish' groups. They could also be charged with considering the feasibility of putting into operation various options, and in addition, several conferences could be held and experiments pursued to explore the feasibility of cross-border cooperation in this realm.

This network would be supported by a Secretariat which assists with administrative tasks and with implementing the programme of work. Following the lessons learned in other fields on cross-border cooperation, the staff of the Secretariat would be subject to the Staff Regulations of Officials of the European Communities and the conditions of employment of other servants of the European Communities.

## 3. Expert group

The preparation and implementation of EU policies by the Commission rely increasingly on expert advice. An expert group can be defined as a consultative entity comprising national and/or private-sector experts set up by the Commission to provide it with expert advice. Their main task is to advise the Commission and its services in the preparation of legislative proposals and policy initiatives (Commission's right of initiative) as well as in its tasks of monitoring and coordination or cooperation with the Member States. These groups can be either permanent or temporary. Participating experts are unpaid but their expenses are reimbursed by the Commission.

Expert groups take no political decisions. Their role is to provide expert advice to the Commission which then has the political and legal authority to propose legislation or to exercise coordination/monitoring tasks. The distinction with an agency or a network is their advisory role, whereas the earlier institutional structures could have more objectives or tasks at an operational level.



There are two types of Commission expert groups:

- formal groups set up by a creating act (i.e., a Commission decision or other legal act).
- informal groups set up by Commission departments, with no creating act.

The majority of existing expert groups are created using this second method. Groups can be permanent groups, formally established by a creating act, which exist for more than five years. Or they can be temporary groups, established for a specific task for less than five years.

A group's composition varies depending on the type and scope of expertise sought. It may consist of national experts, but also experts or stakeholders from business, NGOs, trade unions, universities, etc. The meetings are chaired by the Commission or the group elects a chairperson from among its members.

#### 4. Alternative option: join an existing organisation

Another alternative for a European platform is to become part of an existing group or organisation, which can be either an existing expert group or an existing European platform. In the latter case, the mandate of the existing platform is extended instead of creating a new platform. There are certain possibilities in this regard.

A subgroup might be created in the expert group on Administrative cooperation in the field of direct taxation (E01711), whose objective is to facilitate the exchange of information, experience and good practices in the area of mutual assistance for direct taxation. Or a subgroup might be created in the Expert Group on Anti-tax fraud strategy (E01963), whose role is to engage in assistance and cooperation with the Commission in the preparation of an anti-tax fraud strategy on an EU level. The problem with establishing a subgroup on tackling undeclared work within these existing platforms, however, is that not declaring the income for direct tax purposes is only one of the facets of undeclared work. Undeclared work that is not declared for social security and labour law purposes also occurs, and this would not fall within the objectives of this alternative option.

Another possibility is to join the Administrative Commission for the Coordination of Social Security Systems or SLIC. Again, however, this existing organisation merely focuses on just one pillar. It would therefore be best if a platform is established within an existing organisation that includes the themes of all three pillars (tax, social security and labour law). One option in this respect is Eurofound, the European Foundation for the Improvement of Living and Working Conditions. Eurofound is a European Union body which was set up in 1975 to contribute to the planning and establishment of better living and working conditions. It carries out its role in partnership with governments, employers, trade unions and the European Union institutions.

Eurofound carries out research and development projects in order to provide data and analysis for informing and supporting the formulation of EU policy on working and living conditions. Eurofound has a network of experts throughout Europe that conducts research on its behalf, including the assessment of current national

situations, the preparation of case studies and national reports and conducting surveys.

If the objective of the platform on undeclared work includes encouraging information exchange, capacity building and/or sharing and exchanging knowledge and experience, it could join an organisation such as Eurofound. However, if this means that the original field of work and tasks of the existing organisation are extended, a change in mandate and opening up of the statutes could be necessary.

### **Stakeholder view on institutional structure**

In the questionnaire we did not ask about preferences for certain institutional settings. We did ask about the difficulties and opportunities of such a platform in general. The difficulties that respondents to our questionnaire foresee for a European platform can be grouped around two themes:

- differences between countries; and
- problems with the organisation.

The problems identified with regard to the difference between countries are first of all concerned with national policies, legislation, systems and strategies. Moreover, the different cultures and contexts of countries can pose problems for cooperation in a European platform. The significant differences between the respective labour markets are mentioned, as well as differences in views, language and approach (see box 5.1).

#### **Box 5.1 Comments of respondents to the question 'What difficulties do you foresee for a European Platform?'. Differences between countries**

*"Best practices and experience from one country may not be applicable in other countries due to specific problems, national legislations and different systems of inspection and penalising of undeclared work."*

*"Differing national immigration policies and practices."*

*"It will be hard to harmonise the various national strategies."*

*"Not all administrations have similar/comparable systems."*

*"The wide variety of legislation and methods of operation would present a challenge. In addition, unless such an initiative produced tangible benefits it would not receive the support of decision makers and those who deliver on the ground."*

*"Privacy issues will hamper effective cooperation on data-exchange, data warehousing, etc. Creation of a legal framework for the development of a European platform will be tricky. Creation of operational added value is tantamount to success."*

The second group of problems foreseen by the stakeholders relate to the organisation of the platform. Several respondents expressed their doubt on the amount of priority that will be given to the platform by (certain) governments, and also whether ownership of the platform will be clear.

**Box 5.2 Comments of respondents to the question ‘What difficulties do you foresee for a European Platform?’ Problems with the organisation**

*“Lack of priority for individual governments – it’s a difficult issue and so best to leave it alone or at the bottom of the pile of priorities.”*

*“Lots of talk, little action.”*

*“Weak commitment of national government.”*

*“Unclear ‘ownership’ for fighting undeclared work, too many bodies involved at national level.”*

*“Supervision of enforcement of decisions taken.”*

Participants asserted that some of the difficulties could be avoided if the platform is created as part of an existing network or organisation. Stakeholders point to avoiding overlap with existing networks and collaboration initiatives. They indicate that many relevant activities are already taking place, but only for one pillar. For example the exchange of information on tax-related issues takes place in FISCALIS and in the SLIC information is being exchanged on issues of occupational health and safety.

Participants of the workshops indicate a strong preference for an institutional setting other than an agency. According to them, an agency would be ideally the best of the settings, but it is believed to be too ‘heavy’ for this purpose, especially in the early stages of the European platform.

Table 5.1 shows the fit of the options to the overarching objectives and incorporates the stakeholder view. It shows that an agency or European network will be the best fit with the objectives. However, as an institution, the agency is considered too heavy in the early stages of the European platform. An expert group, although developing expertise and providing information, will not develop (operational) cooperation and therefore does not fit with this objective. As such, if a European platform starts out as an expert group, its remit will exclude operational cooperation.

The fit with the objectives if it joins an existing organisation will depend largely on the named organisation. However, it will almost by definition be an organisation focused on only one theme/pillar and as a result it will fit less with the objectives.

**Table 5.1 Fit of options 'institutional structures' with objectives**

	Objectives			Rank
	Cooperation	Expertise	Information	
1. Agency				3
2. European network				1
3. Expert group				2
4. Joining an existing organisation				4

	Fit with objectives		Good fit with objectives
--	---------------------	--	--------------------------

### 5.3.2 Options: tasks

Given the three main objectives, optional tasks for a European platform might be to take responsibility for:

1. promoting and developing cooperation at the Community level in the field of undeclared work by either:
  - developing common principles and standards with regard to definitions, approaches to tackling undeclared work, inspection services, qualifications, minimum standards for inspection, sanctions etc.;
  - facilitating the development of regional and EU-wide strategies on undeclared work;
  - ensuring that current and future EC legislation, directives, decisions and regulations on undeclared work are implemented by Member States and that nations comply through an ongoing review and inspection of their practices; and/or
  - carrying out joint enforcement projects and facilitating joint operations (a support centre for operations in the field of undeclared work).
  
2. providing a framework for expertise and capacity-building in order to improve the efficiency and effectiveness with which UDW can be tackled by either:
  - establishing a training and educational facility;
  - providing a research facility conducting evaluations of policy measures and their transferability;
  - producing guides to good practice on tackling UDW in specific areas (e.g., construction sector, preventative measures, curative measures) that identify innovative solutions which have proved effective elsewhere and evaluating their transferability cross-nationally.
  
3. sharing and exchanging information and experience either by:
  - exchanging best practices on all issues;
  - establishing a data sharing facility (non-personal data);
  - providing a data-holding facility (personal or non-personal data);
  - engaging in strategic data-sharing by creating a multilingual online information system ('knowledge bank') of good and, whenever possible, best practices

that evaluates policy measures and their transferability across nations and sectors, in order to share knowledge and experience gained, as well as to accumulate and evaluate information on tackling UDW.

### Stakeholder view on tasks

Table 5.2 presents the outcome of the questionnaire on the question: ‘Which of the following specific activities could be usefully pursued by a European platform for cooperation?’ It shows that the majority agree that developing a knowledge bank of best practices could be useful. About the same number of people agreed on exchanging strategic data and cooperation on cross-border operations. Provision of a research capability and developing a common strategy are considered least useful.

**Table 5.2 Which of the following specific activities could be usefully pursued by a European platform for cooperation? (n=57)**

Activity	Agree they could usefully be pursued
Develop ‘knowledge bank’ of best practice	63%
Exchange strategic (non-personal) data, such as technical expertise and experiences via meetings, annual technical workshops	58%
Cooperation on cross-border operations (e.g., campaigns)	53%
Exchange operational (personal) data	44%
Joint inspections	40%
Provide expert advice on EU legislation and decisions	39%
Create common data-holding facility/information hubs	35%
International training function (e.g., educational facility, joint training, training programmes)	35%
Provide in-country training programmes	32%
International cooperation with non-Member States	30%
Provision of research and evaluation capability (e.g., expertise on cross-border issues; policy transferability)	28%
Coordinate development of common strategy	28%

Another question we asked was: ‘What opportunities do you foresee for a European platform?’ Most respondents presented their answer as possible tasks or objectives which can be grouped around themes such as knowledge, cooperation, sharing, exchange and effectiveness.

**Box 5.3 Selection of answers to the question ‘What opportunities do you foresee for a European platform?’**

*“It will be a positive movement that will help national government to proceed with measures that have been used by other governments.”*

*“I see excellent opportunities for sharing of best practice and for cooperation and collaboration at operational level.”*

*“A tool to collect information and knowledge, to facilitate the exchanges.”*

*“Closer cooperation and sharing mutual experiences.”*

*“Encounter of the other inspectorates and their methods of inspection.”*

*“Sharing best practices and lessons learnt.”*

Table 5.3 shows the fit of the options to the objectives and incorporates the stakeholder view. As the tasks correlate strongly with the objectives, it is not difficult to fit them together. Contrasting the options for the institutional setting, these options can be chosen simultaneously. However, there seems to be a strong preference of the stakeholders for sharing knowledge and information.

**Table 5.3 Fit of options ‘tasks’ with objectives**

	Objectives			Rank
	Cooperation	Expertise	Information	
<b>1. Improve cooperation</b>				<b>3</b>
<b>2. Develop capacity building</b>				<b>2</b>
<b>3. Promote sharing of information</b>				<b>1</b>

	Fit with objectives		Good fit with objectives
--	---------------------	--	--------------------------

**5.3.3 Options: scope of undeclared work covered by a European platform**

The scope of the platform is demarcated by the definition of undeclared work: ‘any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States’ (European Commission, 2007: 2) The platform therefore touches on all issues related to undeclared work regarding the compliance with tax-, labour- or social security law.

Additionally, this platform will include aspects that are connected to undeclared work, known as the illegal economy. This illegal economy is, in principle, a wider concept than undeclared work and includes, for example, illegal employment. In practice, undeclared legal and illegal activities are sometimes difficult to distinguish. In both cases, however, the same policy and enforcement bodies are probably involved. We therefore propose not to exclude these aspects from the scope of the platform. The only issue that needs to be decided on is whether the platform should aim at

cooperating on *all aspects* which are of interest for preventing and combating undeclared work in all its forms, or *only on cross-border* aspects of undeclared work.

The focus of a European platform might be solely upon international forms of undeclared work or might also include initiatives to enhance the effectiveness of Member States at tackling undeclared work that occurs intra-nationally.

The following options could be considered:

1. include specific national issues (e.g. develop database on 'best practice');
2. include one cross-border issue (e.g. information exchange, migration);
3. include all cross-border issues; or
4. include cross-border and national issues.

If a European platform should include solely national issues, this would be valuable, sharing information on good practices, but of course limited in its scope. Involving just one cross-border issue will focus the activities and therefore provide an opportunity to get positive results within a short amount of time, but (again) the scope is limited to a certain number of countries on only one issue. Including all relevant cross-border issues, will expand the number of countries that can benefit from a platform and more cross-border problems have the potential of being solved. However, some issues dealing with undeclared work are very much connected with national policy, regulation and legislation. This touches on the issue of the sovereignty of the Member States. Therefore, it might not easily be accepted by the Member States that a platform will be involved in cross-border issues, without regard for national issues.

Dealing with cross-border aspects as well as national issues seems to be the more obvious choice, since it is on cross-border issues that a large part of the legitimacy of the existence of a European platform is based and since national issues should not be ignored as they are basis for mutual understanding and good cooperation.

### **Stakeholder view on scope**

The respondents to our questionnaire indicate which aspects a European platform should pursue. The vast majority (86%) stated that all aspects that are of interest to national governments concerning the fight against undeclared work should be pursued. A small group indicated it should be concerned solely with cross-border aspects of undeclared work.

Most respondents consider 'exchange of information' as the area in which Member States could best interact to enhance the effectiveness of the national governments. About half of the respondents find that either 'data-matching', 'operations' or 'strategy' will enhance the effectiveness. Box 5.4 shows some of the comments that were added.

**Box 5.4 Comments to the question ‘What realm of cross-border interaction do you think would best enhance the effectiveness of national governments?’**

*“As the issue is completely new on the European level, we would suggest a broad approach. To learn from each other and try to come to closer working relations.”*

*“Development of information exchange protocols leading to information exchange/data matching can identify non-compliance/common interest. Co-ordinated investigation ensures all offenders are tackled, and further offences prevented.”*

*“It is vital to gather data and information, in order to carry out operations and develop a sustainable strategy.”*

*“Respecting the national autonomy for the management of the respective labour markets, information exchange and sharing of access to certain public records would consolidate a harmonised labour market.”*

Respondents to the questionnaire were asked to choose what level of cross-border interaction they thought would best enhance the effectiveness of national governments: consultation, deciding together, acting together or full cooperation.

‘Acting together’ was chosen by the majority of stakeholders. This includes not only deciding together what is best, but also acting in a concerted manner in a partnership arrangement.

‘Full cooperation’, which includes deciding what to do together, and acting in partnership with common targets, seems to be too far-reaching for many stakeholders. Only a small group thinks ‘full cooperation’ is the best form of interaction.

A third of the group thinks ‘consultation’ is the best level of cross-border interaction. This level entails that Member States offer a number of options for future work and listen to feedback so as to learn from each other.

As seen in table 5.2, the number one activity chosen to be pursued by a European platform is ‘developing a knowledge bank of best practices’, which is a typically nationally orientated task. Less than half of the respondents think the platform should pursue joint inspections, but more than half are in favour of cooperation on cross-border operations.

We can conclude that stakeholders prefer a European platform that includes both national and cross-border issues. Exchanging information on best practices, but also cooperation on cross-border operations are regarded as most valuable. Stakeholders are, however, a bit more hesitant when it comes to extensive cross-border cooperation, for example on joint inspections or developing a common strategy.

Table 5.4 reveals that there will be a good fit with the objectives of developing cooperation, expertise and/or information, no matter whether a European platform deals solely with improving the performance of national economies (e.g., by developing good practice through sharing experiences), with one/many cross-border issues, or with both national and cross-border issues.



**Table 5.4 Fit of option ‘scope’ with objectives**

	Objectives			Rank
	Cooperation	Expertise	Information	
<b>1. National issues</b>				<b>4</b>
<b>2. One cross-border issue</b>				<b>3</b>
<b>3. All cross-border issues</b>				<b>2</b>
<b>4. Cross-border and national</b>				<b>1</b>

	Fit with objectives		Good fit with objectives
--	---------------------	--	--------------------------

#### 5.3.4 Options: membership/participants

Many of the existing European platforms in other sectors have a membership composed of representatives from Member States. A key issue that needs to be considered in the realm of undeclared work is that this might not be replicable. Not all Member States and EEA countries have one central agency responsible for tackling undeclared work. Instead, different agencies are responsible for different facets of the fight against this phenomenon. The result is that it might be very difficult for Member States to identify one or two representatives due to the plurality of agencies involved within some countries. In the first instance, therefore, it will be necessary for any European platform to recognise that the membership structure may involve a diverse array of representatives.

First and foremost, it should be determined who are the key players: the stakeholders that deal with undeclared work in each country and on what level. Several options are therefore available in this regard:

- representatives from only labour inspectorates. If the labour inspectorate is not involved in tackling undeclared work in a certain country (as it is in most countries), it will be excluded from the platform;
- representatives from labour inspectorates and other bodies such as tax administrations and social security administrations, if relevant;
- representatives from government bodies (ministries), executive bodies and employers, unions, experts/academics, and NGO's (when relevant).

To bring together other interested parties, such as employers' organisations, trade unions and experts, a series of project teams/subgroups could be established to deal with specific issues so as to engage the full range of social partners. These could be either time-limited 'task and finish' groups and/or subgroups with a longer duration.

Alternatively, one might simply limit membership to the European platform to two representatives from each Member State, who would be selected by each country individually. The selection criterion would be to choose representatives from organisations which best reflect the lead agencies involved in the fight against undeclared work in the country in question. There would then be a variety of

advisory committees/subgroups/working groups that bring together interested parties on specific issues.

### Stakeholder view on membership

From the interviews and workshops it became clear that although it would mean that cooperation would be more challenging, there was a preference to pursue a diversity of participants. The focus of the European platform should be broad and cover all types of operations and areas – tax, social security and labour law.

Besides involving all pillars, the political factor should not be ignored. The institutions involved in the European platform should be at the level of labour inspectorates, tax agencies, social security offices and other relevant agencies that have the authority to implement measures to tackle undeclared work. However, to receive and maintain (political) support, it will be crucial for the platform to involve higher level representatives too.

Table 5.5 shows the fit of the membership options with the various objectives of a platform. It reveals that there will be a fit with achieving the various objectives, no matter whether the membership is confined to labour inspectorates, whether each country selects the most relevant representatives in its eyes, and/or whether all executive bodies involved in the fight against undeclared work and also social partners are involved. The best fit, however, will occur when most relevant representatives are selected.

**Table 5.5 Fit of option 'membership' with objectives**

	Objectives			Rank
	Cooperation	Expertise	Information	
<b>1. Only labour inspectorates</b>				<b>3</b>
<b>2. Country selects most relevant representatives</b>				<b>1</b>
<b>3. All executive bodies + government, social partners</b>				<b>2</b>

	Fit with objectives		Good fit with objectives
--	---------------------	--	--------------------------

### 5.3.5 Options: start-up phase

Learning from the other cross-border forms of cooperation, the overarching lesson in terms of organisational structure is that many European platforms commence as small informal networks or expert groups and then become more formal bodies. Over time, more members participate and the platform takes on greater responsibilities and activities as confidence, consensus and understanding grows about the role that it might play.

There seem to be three options:

- Representatives from a small group of Member States will cooperate on preferably one specific subject; or
- Representatives from a small group of Member States will start with the pioneering work preferably on one specific subject, with the intention to grow in size and number of subjects to be considered; or
- All Member States are invited to be involved from the beginning, giving the members the opportunity to focus on multiple issues in the area of undeclared work.

### Stakeholder view on start-up phase

Participants in the workshop indicated that any initiative should ideally be clearly focused, time-limited and subject to evaluation.

At the workshops we asked what could be a single issue to start with, that would interest all stakeholders and possibly create a quick win. Some of the issues raised were:

- bogus self-employment;
- migration; and
- information exchange.

Areas that might be of interest to the various stakeholders are presented in the table below.

**Table 5.6 Stakeholders and their interest in UDW**

Stakeholder	Interest/risk
Revenue authorities	Underpayment/avoidance of tax
Social welfare	Underpayment of social insurance contributions
Labour inspectorates	Undermining of statutory minimum terms of pay and conditions
Trade unions	Loss of members/undermining of terms and conditions
Employers	Unfair competition
Immigration authorities	Facilitating undocumented working

One option that was mentioned was the establishment of Single Point of Contacts in every country to focus on the exchange of information between the responsible authorities for combating undeclared work. Later on in the development of such a platform, it could follow the example of the already established international cooperation in the area of VAT (Regulation 1798/2003): multilateral controls, further exchange of information, linking of many companies in one system that could improve the control, and exchange of offices, and exchange of experts between the countries.

Table 5.7 shows the fit of the start-up phase options to the objectives and incorporates the stakeholder view. It shows that there is a fit with achieving all of the possible objectives no matter whether one starts with a small group of Member

States, a small group to begin with which has the intention to grow, or all Member States from the outset. The first option seems to fit with the objectives the least.

**Table 5.7 Fit of option ‘start-up phase’ to objectives**

	Objectives			Rank
	Cooperation	Expertise	Information	
<b>1. Small group</b>				<b>3</b>
<b>2. Small group with the intention to grow</b>				<b>1</b>
<b>3. All MS from start</b>				<b>2</b>

	Fit with objectives		Good fit with objectives
--	---------------------	--	--------------------------

## 5.4 Assessing the feasibility of alternatives

With the objectives, options and stakeholder view described, we can now consider several alternatives and assess their feasibility.

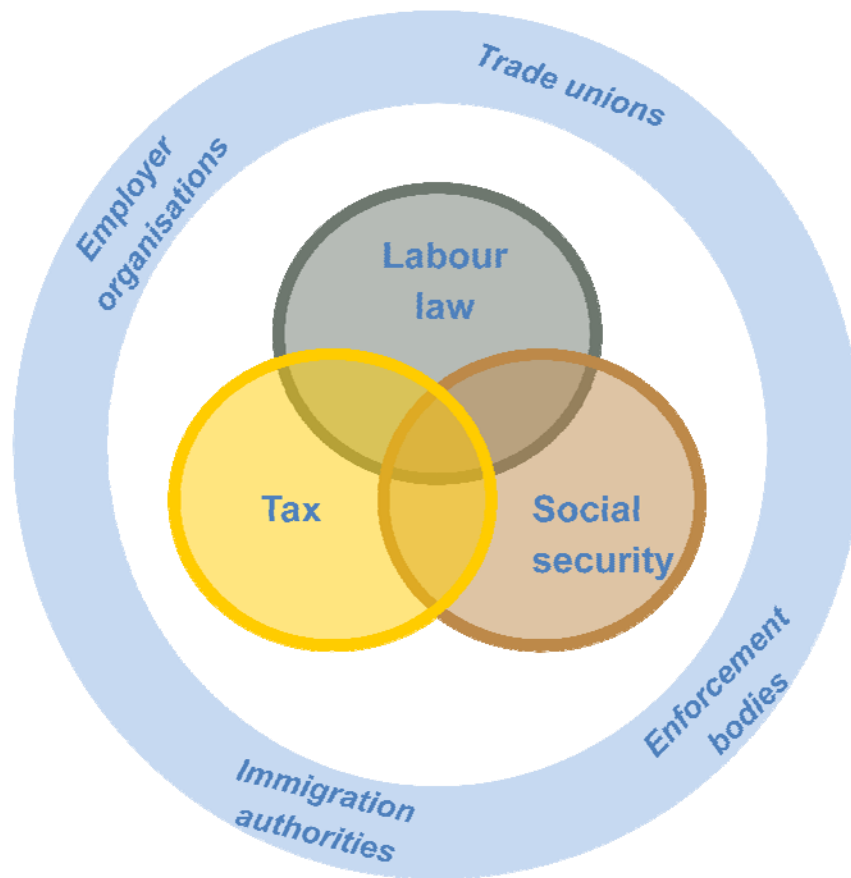
In this section we present three different designs for a European platform that are based on all the information that has been gathered so far. These designs have been built using various combinations of the five building blocks reviewed above (institutional structure, tasks, scope, membership and start-up phase).

### Basic assumptions for all designs

For each of the three designs, we start from the following basic assumptions:

- The initial institutional structure and functions of the platform will be evaluated after a maximum of 3-5 years.
- The platform will be inclusive. Compared with existing organisations all three pillars (tax, social security and labour) will be involved. These three themes all need to be represented for a European platform to have any chance of success, because of the complexity of the problem of UDW, which necessitates the involvement of a diverse array of stakeholders (see figure 5.2).

Figure 5.2 Themes/pillars and stakeholders should be integrated in the platform



**Should there be a new platform at all?**

We should also mention the option of not setting up a platform at all (the 0-option).

*Maintaining the status quo/'0-option'*

It could be argued that there are enough platforms and networks that deal with part of the issues concerned with UDW, or that it would be too difficult to set up a multi-disciplinary organisation. In this research project, however, we did not find any support for these views.

Given the problems and obstacles identified earlier and the views of the stakeholders, there is definitely a need for a platform. Which tasks will be formulated will depend on the design.

In addition, the research question at hand is to measure the feasibility of a platform, not whether it should be established or not. Therefore, this 'option' will not be further included in the analysis.

**5.4.1 Three designs**

When we view the options as building blocks, we can construct different alternatives for the design of a European platform on undeclared work. The following designs (see table 5.8) are based on the fit with the objectives and desirability (stakeholder view).

**Table 5.8 Three designs for a platform and their building blocks**

<b>Title</b>	<b>Design 1</b> <i>Full-blown partnership</i>	<b>Design 2</b> <i>Emergent alliance</i>	<b>Design 3</b> <i>Small and familiar</i>
<b>Institutional structure</b>	Agency	Network	Joining existing body
<b>Tasks</b>	- Cooperation - Capacity building - Sharing information	- Capacity building - Sharing information	- Capacity building - Sharing information
<b>Scope</b>	Cross-border	- Cross-border - National issues	- Cross-border - National issues
<b>Membership</b>	Country selects most relevant representatives	All stakeholders from the three pillars	All executive bodies, government and social partners
<b>Start-up phase</b>	All Member States	Small and growing	Small

The designs will be introduced by a brief summary. For each alternative the fit with the objectives and desirability (stakeholder view) will also be summarised. The feasibility will, at this stage, be qualitatively assessed by considering the financial/administrative costs, difficulty of implementation and legal aspects/difficulties. Each criterion will also be ranked, by looking at the positive (+) and negative (-) aspects.

### **Design 1. Full-blown partnership**

Design 1 comprises a new agency, dealing with (operational) cooperation, capacity building and sharing of information. This would include only cross-border issues, and involve all (relevant) participants. These participants could include tax authorities, social security officers, labour inspectorates, representatives from trade unions, employers' organisations, but also immigration authorities and enforcement bodies. All interested Member States are included from the start.

<b>Design 1. Full-blown partnership</b>		
	<b>Rating</b>	<b>Motivation of rating</b>
<b>Fit with objectives</b>	++	This agency fits the three objectives.
<b>Feasibility</b>		
- Financial/administrative costs*	-	There are a lot of costs involved: an office, office staff, website, information exchange system, setting up meetings etc. As regular meetings will be needed with many participants, costs may be higher than anticipated.
- Implementation	-	Because of the need for a large infrastructure, this agency is not easily implemented. Implementation could be hampered by not all MS being equally interested to cooperate.
- Legal aspects	++	This agency will be established under EU law, by a regulation for the specific task of tackling undeclared work. Content-wise, however, when cooperating (on an operational level) members have to face legal restrictions on transferring data.
<b>Stakeholder view</b>	-	There are concerns whether it can be made to work. It might be too big, with too many (kinds of) members. Not all members might be equally committed or will be able to value its heterogeneity. Therefore, membership should not be voluntary.

\* The rating of financial costs with a '+' means the cost will be low.

## **Design 2. Emergent alliance**

Design 2 comprises a network, concerned with capacity building and information sharing. Cross-border as well as national issues will be discussed with stakeholders on the three pillars (tax, social security and labour). Social partners, executive or enforcement bodies are not included. It will start small, with a few countries involved, but will have the intention to grow.

<b>Design 2. Emergent alliance</b>		
	<b>Rating</b>	<b>Motivation of rating</b>
<b>Fit with objectives</b>	+	The emphasis is on information exchange and capacity building. This network, which starts small on a limited range of activities, will not develop (operational) cooperation and therefore does not fit with all the objectives.
<b>Feasibility</b>		
- Financial/administrative costs*	++	As it will only involve a few countries, thus a limited number of people, costs will be limited. The number of meetings can also be lower t, as operational cooperation is not the aim. With only one expert willing to perform the task of platform manager, no additional staff is needed. Costs might increase as the network grows.
- Implementation	++	To get this network functioning and keep it running, might be easier than doing this for an agency. There are fewer participants, and because of the limited scope members might be more motivated to participate.
- Legal aspects	+	This network is easy to set up, and there are no legal issues anticipated, provided there is a legal basis for the network.
<b>Stakeholder view</b>	+/-	Concerns from stakeholders include the question who decides which Member States and what stakeholders can join from the start.

\* The rating of financial costs with a '+' means the cost will be low.



### **Design 3. Small and familiar**

In this design the objectives and tasks are joined with those of an existing organisation. This organisation is based on more than one pillar, like, for instance, Eurofound.<sup>70</sup> The tasks are centred only on sharing and exchanging information and experience. However, both cross-border and national issues are involved. All relevant stakeholders from a small group of Member States are invited to become members. However, contrary to the other designs, the intention of this expert group is to keep it small. The design, in a more limited version, could also be characterised as outsourcing tasks of the platform to an existing body.

<b>Design 3. Small and familiar</b>		
	<b>Rating</b>	<b>Motivation of rating</b>
<b>Fit with objectives</b>	+/-	The extent to which there is a fit with the objectives depends on what kind of organisation will be joined and in what way. Limiting the range of tasks will decrease the fit with the objectives. And performing a task from a subunit with staff, will fit better than when available provisions are being used by just one contact point.
<b>Feasibility</b>		
- Financial/administrative costs*	+/-	Joining an existing body will save financial and administrative costs, as there is no need to set up a new infrastructure. Nonetheless, for the existing organisation it will mean extra costs for creating the possibility and right conditions for a platform to join.
- Implementation	+/-	On the one hand implementation is easy, as the infrastructure is there already. But, as mentioned before, creating the right conditions for the platform to join, could cause organisational problems. Setting up a new structure within an existing one, might be more difficult than to set up a new one.
- Legal aspects	--	This design could be problematic legally, when approval from (high level) political bodies is needed, and or an enlargement of the mandate is required. The opening of the statutes could be time consuming and complicated from a legal point of view.
<b>Stakeholder view</b>	+/-	The success of the platform joining another organisation depends on so many factors that it is difficult to foresee the positive and negative aspects. One of the concerns is that when joining another organisation, the platform might be biased towards the original core focus of this 'host', despite its own objectives.

\* The rating of financial costs with a '+' means the cost will be low.

<sup>70</sup> SLIC or CIBELES for instance are only focused on the pillar 'labour' and not on tax or social security issues, which are also relevant when dealing with undeclared work.

## 5.4.2 Comparative assessment

The table below compares the assessments of the three different designs. This highlights the advantages and disadvantages of the designs to the fit with the objectives, their feasibility and the stakeholder view.

**Table 5.9 Comparative assessment of three designs**

	<b>Design 1 <i>Full-blown partnership</i></b>	<b>Design 2 <i>Emergent alliance</i></b>	<b>Design 3 <i>Small and familiar</i></b>
<b>Fit with policy objectives</b>	++	+	+/-
<b>Feasibility</b>	-	++	+/-
- Financial/administrative costs	-	++	+/-
- implementation	++	++	+/-
- Legal aspects	-	+	--
<b>Stakeholder view</b>	-	+/-	+/-

\* The rating of financial costs with a '+' means the cost will be low.

## 5.5 The preferred design of a platform

Given the outcome of the assessment, the preferred design should have the following features:

- The institutional structure should be easy to implement and it should not be too large.
- Tasks should at a minimum include capacity building and the sharing of information.
- Both cross-border issues as well as national ones should be included.
- As many members as possible should be able to participate, but without setting requirements for membership.
- All Member States should be invited from the start.

It is clear that none of the three options above completely fit with the objectives or are feasible in all respects. However, by combining different aspects of each of the designs, we can come to a design that will be as effective as possible.

The table below summarises the key features (the best building blocks) of the preferred design: **an Expert Network on Undeclared Work**. It is called an Expert Network because the members will need to have expertise in one of the three main themes (taxes, social security or labour).

**Table 5.10 Key features of preferred design of a platform on UDW**

Title	Expert Network on Undeclared Work
<b>Institutional structure</b>	Network
<b>Tasks</b>	Cooperation Capacity building Sharing of information
<b>Scope</b>	Cross-border issues and national issues
<b>Membership</b>	All relevant representatives of organisations dealing with undeclared work Experts on the 'pillars' of tax, social security or labour
<b>Start-up phase</b>	All Member States are members right from the start
<b>Conditions</b>	Public and political support is a condition for success. Goals, tasks and membership should therefore be well defined and formulated. In addition, a time frame should be set for conducting a review and evaluation of the efficiency and effectiveness of this platform in meeting its objectives.

### 5.5.1 Summary of the preferred design: Expert Network on Undeclared Work

This network is larger than an expert group, but maintains the advantages of an expert group by working in subgroups and within a project structure.

#### Membership

First and foremost it should be determined who are the key players, the experts or the stakeholders that deal with undeclared work in each country and on what level. It is clear that there are bodies with major responsibilities in the operational field on undeclared work, but also those that develop national or EU policies on the subject. Moreover, in many member states there are multi-ministerial bodies, coordination authorities, Councils or Committees that coordinate and cooperate in the fight against undeclared work in the different areas or fields (tax, labour law and social security).

Because of the diversity in stakeholders, authorities and experts, we propose the following composition:<sup>71</sup>

<sup>71</sup> Based on SEC (2010) 1360 framework for commission expert groups: horizontal rules and public register Brussels, 10.11.2010. The EC set up rules on the creation/operation of Commission expert groups (C (2010) 7649 final, SEC (2010) 1360 final), that also include 'other similar entities' comparable to expert groups. Other similar entities are consultative entities that were not set up by the Commission or its departments, but which have a similar or identical role to a Commission expert group and are administered and financially managed by the Commission. The Expert Network, therefore is covered by the Commission rules on expert groups.

The platform shall be composed of representatives of 31 countries: the 27 EU Member States, the three EEA-members Iceland, Liechtenstein, Norway and Switzerland. Each country will provide different types of members:

1. as representatives of a public authority (at national or regional level and policy or enforcement body) in the field of tax, social security or labour.
2. as representatives of civil society. This includes social partners (i.e. trade unions, employers' federations), non-governmental organisations, universities, research institutes and international organizations.
3. as an independent expert, invited by one of the above mentioned member..

The status of the membership could be that of a permanent member; an alternate member or as an observer (observers can participate in projects with a consultative voice)

In Annex 5 we review the institutions, departments or agencies responsible for tackling undeclared work in 31 countries. A summary of these findings is included in Annex 6 showing the main body responsible for the fight against undeclared work in each country, and two institutions that also have tasks or responsibilities on the issue. This list could be considered as a provisional list of members (to be confirmed by each of the countries). Each country would be represented by three permanent members; one of whom at least should be from a public authority.

## **Institutional setting**

### *The Board*

We propose to select one representative from each country to join the 'permanent board'. The Board is the executive body of the platform responsible for the management of the association and the implementation of the decisions. The Board consists of a Chair, and Country Coordinators. The Board determines the policy of the platform and decides on the budget, projects proposals and project reports. Members in one country designate a Country Coordinator who represents them in the Board.

### *Country Coordinator*

Members of one country designate a Country Coordinator. The Country Coordinator coordinates the participation of the members in the country concerned in the activities and is their focal point for all matters of the platform.

### *Subgroups*

Subgroups are an informal forum to discuss draft project proposals. Subgroups also review ongoing projects and assess draft project reports. The subgroups inform and advise the Board on these matters. Participation in the subgroups is open to all types of members. The subgroup's composition may vary depending on the type and expertise sought. It may consist of national experts, but also of stakeholders from business, NGOs, trade unions, universities, etc. These subgroups are temporary and will be dissolved as soon as the task is fulfilled.

### *Secretariat*

The Commission provides the Secretariat (preparation of documents, draft agendas, organisation of meetings, drafting of minutes, etc.) to facilitate the efficient functioning and coordination of the group. The Secretariat supports the Board in carrying out its managerial tasks by preparing for the Board all major proposals. The Secretariat also provides support to the subgroups and is in close contact with the Country Coordinators. An important task of the Secretariat is taking care of both the internal and external communication. The Secretariat will maintain the website, contact information and the intranet (to be used for internal dissemination of documents and reports).

### **Projects / 'pick and choose'**

The platform will structure its activities within subgroups, being a forum for discussing and coordinating interlinked activities and projects and exploring and analysing relevant developments and trends within their field of interest. One subgroup could for example be centred around 'data sharing', another around 'good practices' and so on. The subgroups shall be dissolved as soon as their mandates are fulfilled. The platform will undertake its activities primarily within a project structure. Projects are run by one or more project managers. Participation in projects is open to all Member States, but perhaps limited to a sector, region or field of expertise.

#### **Example of Projects**

In several Member States, the issue of bogus self-employment is considered a problem, because it creates unwanted situations such as bad labour conditions or the loss of tax income. Apart from the definition problem of what is a 'service provider', there is also the problem that relevant legislation originates from different countries.

In the expert network a project could be started on mapping the differences and contradictions in relevant national and supranational legislation. Some Member States will include people from labour inspectorates in this project, whereas others will delegate tax or perhaps customs officials. It could be considered to limit the number of members joining this project, by selecting representatives from those countries that are confronted with this issue, either as a sending or as a receiving country, in each of the four regions in Europe.

Another project could be on creating a multilingual online information system ('knowledge bank') of good and, whenever possible, best practices that evaluates policy measures and their transferability across nations and sectors, in order to share knowledge and experience gained on dealing with bogus self-employment. Again, depending on the focus of the policies in the countries, the representatives could come from either the realm of labour, tax or social security, as well as law enforcement, immigration or NGO's.

### **Agenda and meetings**

The agenda of the platform is prepared by the Commission. The agenda should ensure that projects or meetings are of interest to a majority of members and that enough time is available for the appropriate decision. The group's chair may indicate to the Commission when it would be advisable to consult the group on a specific question.

We propose for the Board of the platform to meet at least twice a year. The meetings will generally take place at the Commission's premises (in Brussels or Luxemburg), but members can also make accommodation available when this is convenient.

In addition to projects, the platform will organise conferences on the various subjects related to undeclared work. The conferences are used to disseminate products generated within the platform and to a wider audience. They also offer the possibility to discuss new trends in the different countries, to explore newly developed policies and present good practices. The conferences provide a forum for representatives of public authorities, enforcement bodies, social partners and other stakeholders to discuss these issues and produce ideas for new projects and activities.

### **Tasks**

This platform is essentially a forum for discussions, providing high-level input from a wide range of sources and stakeholders in the form of opinions, recommendations and reports. The tasks of the platform shall focus on promoting and developing cooperation, developing expertise and capacity-building in order to improve the efficiency and effectiveness with which UDW can be tackled. The platform may also offer advice to the Commission on issues relating to undeclared work.

Developing cooperation can be done on different levels and should start with developing common understanding: developing common principles and standards.

They should address the view of the Council, Parliament and Commission as laid down in the resolution and communications of the past years.

The European Parliament resolution Stepping up the fight against undeclared work (INI/2008/2035) included a comprehensive approach, which covers matters relating to monitoring and control, the economic and institutional framework and involves concerted action at several levels and the participation of all stakeholders (public authorities, social partners, undertakings and workers).

Some of the envisaged measures in this resolution could form the basis for the common principles:

- strengthening Community action to ensure that modernisation of labour law is translated into improved job quality;
- promoting stronger and more efficient coordination and administrative cooperation between government enforcement agencies, labour inspectorates and the social partners, social security administrations and tax authorities to ensure that legislation is respected;
- providing strong incentives for those who undertake to put undeclared work on a formal economic footing (e.g. atypical contracts could help to get people out of illegal work).

In addition, the common principles will include definitions, approaches to tackling undeclared work, approaches to enforcement, sanctions etc.

From then on, cooperation can develop to carrying out joint and/or simultaneous enforcement projects and facilitate joint and/or simultaneous operations.<sup>72</sup>

An example of capacity building could be to produce guides to good practice on tackling undeclared work in specific areas (e.g., construction sector, preventative measures, curative measures) that identify innovative solutions which have proved effective elsewhere and evaluate their transferability cross-nationally. Another task could be to build and operate a training and educational facility or to produce a glossary of terms (as SLIC has done on occupational health and safety

Another task will be the sharing and exchanging of information and experience. This can be accomplished, for example, by creating a multilingual online information system ('knowledge bank') of good and, whenever possible, best practices that evaluates policy measures and their transferability across nations and sectors, in order to share knowledge and experience gained, as well as to accumulate and evaluate information on tackling undeclared work.

In addition, as a part of exchanging information, exchanging data is a task this network could fulfil as well. This could be facilitated by establishing a data sharing facility (on non-personal data) or providing a data-holding facility (on personal or non-personal data). The question is whether this task should be included at the start-up of the platform. Judging from the feedback of stakeholders, the exchanging of data is a precarious issue that perhaps should not be included as a task from the outset.

This network will also provide independent expert advice to the Commission. Aside from offering a forum to exchange views, it can provide advice to the Commission throughout the policy process, from the policy development stage, through decision-making, up to the implementation and evaluation phases.

### **Scope**

The scope of the platform is demarcated by the definition of undeclared work: '*any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States*' (European Commission, 2007: 2) The platform therefore touches on all issues related to undeclared work regarding the compliance with tax-, labour- or social security law, but will also include relevant and related subjects from the 'illegal economy'.

A large part of the legitimacy of the existence of a European platform is based on working together on international themes. Why work together on an international level, if not on cross-border issues? Including national issues is valuable, since national issues are not to be ignored as the basis for mutual understanding and good

---

<sup>72</sup> The joint and/or simultaneous operations do not include operations on foreign territory. The operations concern actions, based on prior arrangements and agreements, to enforce the fight against undeclared work in the respective countries.

cooperation. However, they are perhaps too limited as the basis for a European platform on undeclared work.

Therefore, this network will work on both national and cross-border issues. Regional issues could be taken into account as well, which might require workgroups on a regional level.

This does not mean, however, that national, cross-border or regional issues have to be addressed all at once. There seems to be a preference to start small with these kinds of platforms. By starting small, commitment of participants as well as political support is better guaranteed. EUROPOL, for instance, started with a single issue that was of major concern to several countries in Europe, of politicians as well as other stakeholders: 'the protection of the euro against forgery'. In the case of this platform, one such single issue can be selected to start with, presumably on a cross-border level such as, for instance, the issue of bogus self-employment. The choice of the actual issue, if this option is adopted, will of course be subject to discussion within the platform itself. Another option could be to choose several issues to work on, but limit the number of working groups or projects and limit the time frame. The advantage of this option is that it will address additional problems that more countries can relate to, at the same time keeping the platform small and clear in its aim.

### **Structure**

The establishment of the European platform could proceed in two steps:

1. signing of a joint statement by politicians (political level); and
2. signing of a Memorandum of cooperation (operational level).

From an institutional point of view, it is important that the network is created formally by a Commission Decision and that the tasks entrusted to it are laid down in a formal act by the Commission (legislative proposal, preparatory work, including communications, White or Green Papers from the Commission, etc.). This is also the general rule when the expert group is to exist for a certain time and it is a 'high-level' group or a group dealing with sensitive matters.

### **Start-up phase**

All European Member States will take part in this platform from the outset. This does not mean, however, that all Member States and all representatives will meet or work together. As mentioned before, the members will meet according to the subgroups or projects they participate in.

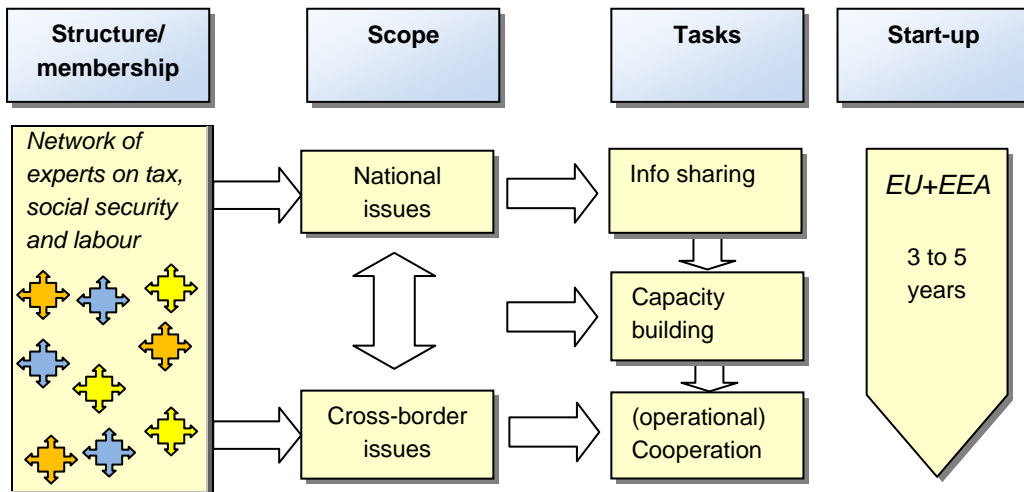
Difficulties could arise when it has to be decided which parties should be involved in which subgroup or project. Institutional differences between Member States and the differences between the roles and responsibilities of organisations complicate the organisation of projects.

Another obstacle is that some Member States may give more priority to participation than others. This would show in the time or financial resources that are made available, or the promptness and accuracy with which information is supplied.



Cultural differences (national and organisational) will also pose an obstacle, but can less easily be addressed. Awareness of these differences at the central contact point (the secretariat) would be an asset.

**Figure 5.3 The preferred option for a platform on UDW**



#### Summary

- The initial institutional structure and functions of the platform will be evaluated after a maximum of 3-5 years.
- The platform will be inclusive. Compared with existing organisations, stakeholders from all three pillars (tax, social security and labour) will be involved.
- It will be chaired by the Commission (or by a person it appoints).
- Meetings are held on Commission premises.
- The Commission takes care of the platform's Secretariat.
- It acts at the request of the Commission or (if the Commission agrees) the platform's chairperson.
- In agreement with the Commission, it will set up subgroups to examine specific questions (on the basis of clearly defined objectives). The subgroups are dissolved as soon as the objective is fulfilled.
- It can invite experts with specific knowledge on a subject that is on the agenda to take part in the work of the group or subgroup on an ad hoc basis. It can also grant observer status to individuals, organisations and candidate countries.
- In principle, the members are not paid for their work, although the Commission reimburses travel and subsistence expenses.

#### 5.5.2 Assessment of the costs

Contrary to for example many agencies, this Expert Network will have no permanent staff and no permanent housing. The members will not be remunerated for the services they render. Travel and subsistence expenses incurred by members, as

part of the activities, shall normally be reimbursed by the Commission.<sup>73</sup>

The Commission will provide for the time of one staff member for the Secretariat and will allocate an annual budget for the group.

All other expenses related to the activities of the platform will be paid by a contribution of the Member States. Having members pay a small fee to participate will also enhance commitment to the platform.

The platform will probably start off with a small budget/contribution, which will grow in time, depending on its activities.

In the start-up period (the first two years), a new platform will, however, have higher costs that are related to:

- the exact determination of the work to be attributed to the platform and setting the agenda;
- development of methodologies and data bases;
- possible synergies among the tasks.

The figures presented in table 5.11 should be seen as estimates, which do not include the start-up period or costs per project.

**Table 5.11 Estimated minimum budget European Platform on undeclared work**

	<b>Annual budget</b>
(Part-time) staff member	€ 90,000
Meetings of members (2 x 30 p. à € 1000)	€ 60,000
Platform conferences * (2 x 100 p. à € 900)	€ 180,000
Communication (IT)	€ 50,000
Information exchange system	PM
Training facilities	PM
Project activities	
<b>Total budget</b>	<b>Min. €330,000</b>

\* On average 1 or 2 participants per country.

The costs for specific activities will fluctuate and will be paid for by the contribution of the Member States.

### **5.5.3 Subsidiarity and proportionality**

Whatever responsibilities are adopted by this European platform, they need to conform to two principles, namely the subsidiarity and proportionality principles. Undeclared work, it is argued, will be more effectively tackled by a European platform which supplements and supports at the EU level the efforts that are being made nationally to tackle undeclared work.

---

<sup>73</sup> Payment of a special allowance to members, experts and observers shall only be possible in duly justified and exceptional cases and provided that it has been expressly authorised by a decision of the Commission.

The *principle of subsidiarity* applies because the proposal does not concern an area in which the Community has exclusive competence. However, tackling undeclared work cannot be achieved effectively without improvements in administrative cooperation between Member States regarding intelligence on tackling undeclared work in general, and cross-border undeclared work practices more particularly. A Community framework for such cooperation is far more effective than bilateral arrangements between all the Member States, which may leave some Member States without full and rapid access to information. Similarly, in view of the growth of cross-border undeclared work practices, coordinated action to combat undeclared work at the EU level is preferable to a national or even multilateral approach, which might be detrimental to some Member States by encouraging undeclared work on their territory. By simply proposing a framework for cooperation between Member States, while operational control and application measures are the responsibility of Member States, any proposal will therefore comply with the principle of subsidiarity.

The *proportionality principle*, meanwhile, is not contravened. None of the options offered go beyond what is necessary to enhance administrative cooperation for the purpose of tackling undeclared work.



## REFERENCES

- Administrative Commission (2008). *Report of the Ad Hoc group on combating fraud and error*. Newcastle: International pension centre.
- Charmes, J. (2009). Concepts, measurement and trends, in J.P. Jütting and J.R. Laiglesia (eds.) *Is Informal Normal? towards more and better jobs in developing countries*, Paris: OECD.
- Cornuel, D. and Duriez, B. (1985). Local exchange and state intervention, in: Redclift, N. and Mingione, E. (Eds.) *Beyond Employment: household, gender and subsistence*. Oxford: Basil Blackwell.
- DILTI (2004a). *Commission Nationale de Lutte Contre le Travail Illégal*, Paris: Ministère de l'Emploi, du Travail et de la Cohesion Sociale.
- Dutch Ministry of Finance (2009). *Communication Ecofin on EUROFISC, 30 October 2009*.
- EMCDDA/Reitox (2004). *Evaluation Reitox, data quality feedback*. Retrieved May 2010 from <http://www.emcdda.europa.eu/about/partners/reitox-network>
- Europa.nu (2010). *Zuid-Europa bestrijdt crisis met strenge bezuinigingsmaatregelen*. Retrieved March, 2010 from [http://www.europa-nu.nl/id/vifjet57z8v7/nieuws/zuid\\_europa\\_bestrijdt\\_crisis\\_met\\_strenge?ctx=vifhdvmtmvdvg](http://www.europa-nu.nl/id/vifjet57z8v7/nieuws/zuid_europa_bestrijdt_crisis_met_strenge?ctx=vifhdvmtmvdvg)
- European Commission (2008). *Council conclusions on fight against tax fraud 2894th Economic and financial affairs*, Luxembourg, October 7 2008. Retrieved April, 2010 from [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ecofin/103209.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103209.pdf)
- European Commission (1996). *Directive on the posting of workers, 96/71/EC*.
- European Commission (1977). *Directive on Mutual assistance by Member States in the field of direct taxation and taxation of insurance premiums, 77/799/EEC*
- European Commission (2006). *Green paper on Modernising labour law to meet the challenges of the 21st century*. COM (2006)708.
- European Commission (2007). *Green paper on stepping up the fight against undeclared work*. COM (2007)628.
- European Commission (2005). *Feasibility of a direct survey and pilot study of undeclared work in the European Union*. Brussels: European Commission.

- European Commission (1971). *Regulation on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community*, 1408/71/EC.
- European Commission (2007). *Stepping up the fight against undeclared work*. Brussels: European Commission.
- European Commission (2007). Special Eurobarometer 284/ Wave 67.3 – TNS Opinion & Social: *Undeclared Work in the European Union*. Brussels: European Commission.
- European Council (2010). *Agreement to strengthen cross-border cooperation on VAT fraud, including Eurofisc network to detect new fraud schemes (8 June 2010)*. 10730-10, presse 166. Retrieved April, 2010 from:  
[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/114983.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114983.pdf) 16-7-2010
- European Council (2008). *Council conclusions on fight against tax fraud 7 oktober 2008*, 2894th Economic and financial affairs, Luxembourg. Retrieved April, 2010 from  
[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ecofin/103209.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103209.pdf) .
- European Council (2009). *Council decision on establishing the European Police Office (Europol)*, 2009/371/JHA.
- European Council (2005). *Document on Joint Investigation Teams (JITs) and the designation of national experts*, 11037/05.
- European Council (2010). *Press release 2998th Council meeting Justice and Home affairs, 25 February 2010*. Retrieved March, 2010 from  
[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/jha/113068.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/jha/113068.pdf)
- European Council (2006). *Regulation on the European Monitoring Centre for Drugs and Drugs Addiction (EMCDDA) (Recast)*.1920/2006/EC.
- European Employment Observatory (2004). *European Employment Observatory Review: Autumn 2004*, Brussels: European Commission.
- European Employment Observatory (2007). *European Employment Observatory Review Spring 2007*, Brussels: European Commission.
- European Industrial Relations Observatory (2005). *Thematic issue: industrial relations and undeclared work*. Retrieved April 2010 from  
<http://eurofound.europa.eu/eiro/thematicfeature11.html>
- European Parliament Committee on Employment and Social Affairs (2008). *Draft Report on Stepping up the Fight Against Undeclared Work*, 2008/2035(INI). Brussels: European Parliament Committee on Employment and Social Affairs.

- EUROPOL (2010). *A stronger EUROPOL*. Retrieved April 16, 2010 from <http://www.europol.europa.eu/index.asp?page=news&news=pr100105.htm>  
1 www.europol.europa.eu
- Feige, E.L. and Urban, I. (2008). Measuring underground (unobserved, non-observed, unrecorded) economies in transition countries: can we trust GDP? in *Journal of Comparative Economics* 36: 287-306.
- Geertz, C. (1963). *Old Societies and New States: the quest for modernity in Asia and Africa*, Glencoe, IL: Free Press.
- Hellebo, L (2004). *Food safety at stake, the establishment of food agencies*. Bergen: Stein Rokkan Centre for Social Studies.
- International Labour Organisation (2002a). *Decent Work and the Informal Economy*. Geneva: International Labour Organisation.
- International Labour Organisation (2002b). *Women and Men in the Informal Economy: A Statistical Picture*. Geneva: International Labour Organisation.
- International Labour Organisation (2009). *The global economic and social crisis and its impact on labour inspection systems*. Geneva: International Labour Organisation.
- International Labour Organisation (2010). *Labour inspection in Europe: undeclared work, migration, trafficking*. Working Document Number 7. Geneva: Labour Administration and Inspection Programme LAB/ADMIN.
- Job, J., Stout, A. and Smith R. (2007). *Culture change in three taxation administrations: from command-and-control to responsive regulation*, in *Law and Policy*, 29: 84-101.
- Jütting, J.P. and Laiglesia, J.R. (2009). Employment, poverty reduction and development: what's new?, in J.P. Jütting and J.R. Laiglesia (eds.) *Is Informal Normal? Towards more and better jobs in developing countries*. Paris: OECD.
- Lewis, A. (1959). *The Theory of Economic Growth*, London: Allen and Unwin.
- Mateman, S. and Renooy, P.H. (2001). *Undeclared Labour in Europe: Towards an integrated approach of combating undeclared labour*. Amsterdam: Regioplan.
- OECD (2002). *Measuring the non-observed economy*. Paris: OECD.
- Pedersen, S. (2003). *The Shadow Economy in Germany, Great Britain and Scandinavia: A measurement based on questionnaire surveys*. Rockwool Foundation Research Unit, Study No. 10, p. 21-31.
- Persson, A. and Malmer, H. (2006). *Purchasing and performing undeclared work in Sweden: part 1: results from various studies*. Malmö: Skatteverket.

- Pfau-Effinger, B. (2009). Varieties of undeclared work in the European societies, in *British Journal of Industrial Relations*, 47, 1: 79-99.
- Ramboll, Eureval and Matrix. (2009). *Evaluation of EU-decentralised agencies in 2009. Evaluation for the commission*. ABAC Contract No. 30-CE-0230814/00-05  
Specific contract No 003-004.
- Renooy, P., Ivarsson, S., van der Wusten-Gritsai, O. and Meijer, R. (2004). *Undeclared work in an enlarged Union: an analysis of undeclared work - an in-depth study of specific items*. Brussels: European Commission.
- Rodgers, P. and Williams, C.C. (2009). The informal economy in the former Soviet Union and in Central and Eastern Europe, in *International Journal of Sociology* 39(2): 3-11.
- Schneider, F. and Enste, D.H. (2000). Shadow economies: size, causes and consequences, in *Journal of Economic Literature* Vol. 38: 77-114.
- Schneider, F. and Enste, D.H. (2002). *The Undeclared Economy: an international survey*, Cambridge: Cambridge University Press.
- Schneider, F. (ed.) (2008). *The Hidden Economy*, Cheltenham: Edward Elgar.
- Small Business Council (2004). *Small Business in the Informal Economy: making the transition to the formal economy*. London: Small Business Council.
- TNS Infratest Sozialforschung, Regioplan Beleidsonderzoek, and The Rockwool Foundation Research Unit (2006). *Feasibility Study on a direct survey about undeclared work VC/2005/0276. Final Report*. Brussels Directorate General of Employment and Social Affairs, European Commission.
- Williams, C.C. and Windebank, J. (1998). *Informal Employment in the Advanced Economies: Implications for Work and Welfare*. London: Routledge.
- Williams, C.C. (2004). *Evaluating the architecture of governance in the UK for tackling undeclared work*. *Local Governance*, 30,4, 167-77.
- Williams, C.C. (2004). *Cash-in-hand Work: The Underground Sector and Hidden Economy of Favours*. Basingstoke: Palgrave Macmillan.
- Williams, C.C. (2006). *The Hidden Enterprise Culture: entrepreneurship in the underground economy*. Cheltenham: Edward Elgar.
- Williams, C.C. and Renooy, P. (2007). *Tackling undeclared work in the European Union*, Dublin: European Foundation for the Improvement of Living and Working Conditions.



Williams, C.C. and Renooy, P. (2009). *Measures for combating undeclared work in 27 European Union Member States and Norway*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

World Bank (2010) *Shadow Economies all over the World*. World Bank Policy Research Paper 5356

#### Websites

Bulgarian 'Come into the light' initiative

[www.nasvetlo.net](http://www.nasvetlo.net)

EUROJUST

[www.eurojust.europa.eu](http://www.eurojust.europa.eu)

European Confederation of Private Employment Agencies (Eurociett)

<http://www.euro-ciett.org/index.php?id=75>

European Commission, DG Employment, Social Affairs and Equal Opportunities

<http://ec.europa.eu/social/main.jsp?catId=647&langId=en>

European Commission, DG Justice, Freedom and Security

[http://ec.europa.eu/dgs/justice\\_home/index\\_en.htm](http://ec.europa.eu/dgs/justice_home/index_en.htm)

European Community agencies

[http://europa.eu/agencies/community\\_agencies/index\\_en.htm](http://europa.eu/agencies/community_agencies/index_en.htm)

European Foundation for the Improvement of Living and Working Conditions Database

<http://www.eurofound.europa.eu/areas/labourmarket/tackling/search.php>

European Industrial Relations Observatory (EIRO)

<http://www.eurofound.europa.eu/eiro/>

European Monitoring Centre for Drugs and Drugs Addiction (EMCDDA)

<http://www.emcdda.europa.eu/about/sc>

European Union Crime Prevention Network (EUCPN)

<http://www.eucpn.org/aboutus/index.asp>

EUROPOL

[www.europol.europa.eu](http://www.europol.europa.eu)

European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL)

<http://impel.eu/about>

Food and Veterinary Office (FVO)

[http://ec.europa.eu/food/fvo/index\\_en.cfm](http://ec.europa.eu/food/fvo/index_en.cfm)

International Labour Organisation (ILO)

<http://www.ilo.org/global/lang-en/index.htm>

National Employment Right Authority (NERA)

<http://www.employmentrights.ie/en/aboutnera/>

Union Network International – Europa (UNI–Europa)

[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)

## **ANNEXES**



## ANNEX 1

### METHODOLOGY

The data for this feasibility study are collected using four main methods:

- desk research;
- interviews;
- survey(s);
- workshops.

#### **Desk research**

The first step in the study was to search for information on existing national structures and cross-border cooperation in all EU Member States. In this step of the research process we studied existing literature and conducted a web search. The main entrance to the web were websites of the offices and authorities responsible for monitoring the terms and conditions of employment. We also conducted a secondary analysis of the data collected in our Eurofound Study 'Tackling undeclared work'.

#### **Interviews**

Two series of exploratory and explanatory interviews were held. In the first series professionals from inspecting organisations participated as well as representatives of social partners and others (see Annex 3).

The interviewees were selected after the study of literature and the web survey. Both activities provided us with names of persons and institutions to be approached for an interview. Many interviewees in the labour inspectorates, tax and social security offices, however, were already well-known to members of our team since we have collaborated with them on previous research projects and sat on various expert groups on undeclared work with them over the years.

The goals of these interviews were:

- increase our knowledge of the current practice in the field of labour inspectorates;
- enhancing our knowledge of the existing national and international structures and organisations fighting UDW;
- extending our database for the survey;
- fine tuning our research approach.

The interviews were held using a semi-structured item list. A total number of 23 interviews were conducted face-to-face, by telephone and via e-mail. The interviewees have expertise in different areas of undeclared work, such as labour inspectorates, representatives of social security organisations, revenue organisations, employers' organisations, trade unions, research institutes and national governments.

The second series of interviews were conducted with members of existing European co-operations outside the field of undeclared work. In total nine interviews were conducted face-

to-face and by telephone. The organisations that are interviewed for this phase of the research project are mentioned in Annex 3.

In these interviews the following issues were discussed:

- the obstacles and problems confronted at the outset;
- the on-going problems and obstacles;
- the strengths and weaknesses of the cooperation;
- possible legal obstacles;
- the costs associated with establishing and operating this organisation;
- to identify any evaluations conducted of their added value; and
- the perceived transferability of these issues to the establishment of a future European platform of cooperation to prevent and fight undeclared work.

### **Survey**

In order to gain understanding of both the national institutional framework and cross-border cooperation a web survey was sent out. The aim of the web survey is not to get a representative response, but rather to collect information of representatives of different organisations in as many EU Member States as possible.

The survey addressed the following topics:

- characteristics of existing national institutional framework regarding policies towards undeclared work; characteristics of existing policy measures to tackle undeclared work;
- characteristics of existing cross-border cooperation on tackling undeclared work;
- best practices in this field;
- possible options for a European platform to prevent and fight undeclared work.

Members of cross-border organisations (e.g., ILO, Eurociett, FIEC) were only presented with questions regarding cross-border cooperation and the feasibility of a European platform.

In the initial phase of the study a list of participants was drawn up. The aim was to include officials of the labour inspectorate, the revenue administration, social security administration (social intelligence and investigation), relevant social partners (e.g., trade unions and employer organisations) and other relevant parties (customs, border police, immigration) in each of the 31 EU Member States (27 EU, 3 EEA and Switzerland).

Between 11 March and 15 May 499 invitations were sent to participate in the web-based and 'semi-structured' survey. We included a 'snowball' system, in which respondents could propose to invite others who could provide useful information. We received 104 filled out questionnaires. In table 1 we present the response according to EU Member States.

**Tabel 1 Response per country**

	Number of respondents
Belgium	10
Bulgaria	3
Cyprus	5
Czech Republic	6
Denmark	3
Estonia	5
Finland	4
France	1
Germany	1
Greece	3
Hungary	5
Ireland	5
Latvia	5
Lithuania	3
Luxembourg	1
Malta	4
Netherlands	3
Norway	2
Poland	3
Portugal	5
Romania	1
Slovak Republic	2
Slovenia	1
Spain	2
Sweden	2
Switzerland	2
United Kingdom	6
EU	11
Total	104

**Workshops (see also Annex 4)**

Following collation and analysis of this survey evidence, four workshops were organised on a regional level:

- A. North Eastern Europe: the Baltic and Nordic countries (Estonia, Latvia, Lithuania, Denmark, Sweden, Norway, Finland and Iceland);
- B. Central Europe: Czech Republic, Slovakia, Slovenia, Croatia, Bosnia Herzegovina, Hungary, Poland, Austria;
- C. Western Europe: The Netherlands, Germany, Belgium, Luxembourg, France, Liechtenstein, Ireland, United Kingdom, Switzerland;
- D. Southern Europe: Portugal, Italy, Greece, Spain, Romania, Bulgaria, Cyprus, Malta.

Highly qualified experts from national and international (governmental) bodies and social partner organisations were invited to participate (see Annex 4 for the list of participants). The aim of the workshops was to discuss and come to a better understanding of:

- characteristics of existing national institutional frameworks regarding policies towards undeclared work;
- characteristics of existing policy measures being used in European countries to tackle undeclared work;

- difficulties that enforcement bodies encounter on a national and international level;
- characteristics of existing cross-border co-operations to tackle undeclared work;
- best practices in this field;
- possible options for a European platform to prevent and fight undeclared work.

A fifth European-wide workshop was organised in Amsterdam to explore whether consensus can be reached on the design of a European platform for cooperation. In this workshop, nineteen persons from different fields of expertise participated, including labour inspectorates, representatives of social security organisations, revenue organisations, employers' organisations, trade unions, research organisations and national governments.



**ANNEX 2****WEB-BASED QUESTIONNAIRE**



## 1969. Feasibility Study Undeclared Work (national)

### Introduction

The European Commission is assessing the feasibility of establishing a European platform to prevent and fight undeclared work.

An important element of the study is the consultation of experts and stakeholders dealing with undeclared work in European countries, with the objective of collecting information on existing structures, cross-national co-operations and views on their strengths and weaknesses.

You have been approached due to your ability to provide us with valuable input for our analysis. We would like to emphasize that this is an opportunity to give your opinion and influence the decision making process in this field.

It is possible that you will be unable to answer all of our questions, so please answer those that you can. We expect that filling out this questionnaire will take no longer than 20 minutes.

We would be grateful if you could fill out the questionnaire by April 2nd. Please don't hesitate to contact us for any further information or clarification at [undeclaredwork@regioplan.nl](mailto:undeclaredwork@regioplan.nl)

Your input is greatly appreciated.

### A. PERSONAL INFORMATION

We would like to start with a few questions about your background.

What is the name of your department/organisation?

Country:

What is the function of your department/organisation? (Tick one box only)

- Labour inspectorate
- Revenue administration /Tax
- Other national government
- Local government
- Employers' organisation
- Trade union
- Third sector organisation (e.g. NGO's)
- Social intelligence/inspection
- Fiscal intelligence
- Customs
- Immigration office
- Research organisation

Other, namely:

Although no official definition of undeclared work exists, there is a broad consensus on what is included and excluded. In this project, this consensus is reflected by using the following definition of undeclared work as a starting point:

*'any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States'* (European Commission, 2007: 2).

On which types of undeclared work does your organisation focus? (Tick all that apply)

- work not declared to the authorities for tax purposes
- work not declared to the authorities for social security purposes
- work not declared to the authorities for labour law purposes

other, namely:

To your knowledge, does your organisation cooperate with any (other) national departments/organisations in the fight on undeclared work?

- Yes
- No → Ga verder met vraag B. CHARACTERISTICS OF EXISTING NATIONAL INSTITUTIONAL FRAMEWORK
- I don't know → Ga verder met vraag B. CHARACTERISTICS OF EXISTING NATIONAL INSTITUTIONAL FRAMEWORK

Please list the organisation(s)/department(s) with which your organisation cooperates.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How would you describe your organisation's interaction with other departments or organisations in relation to undeclared work?

- Exchange = exchange information and data through for example workshops or electronic data sharing networks.
- Cooperation = Each organisation uses information provided by the other organisations.
- Collaboration = Organisations are on the whole working together on common projects with common goals.

	Exchange	Cooperation	Collaboration	I don't know
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**B. CHARACTERISTICS OF EXISTING NATIONAL INSTITUTIONAL FRAMEWORK**

These questions relate to the overall national organisational framework with regard to tackling undeclared work in your country.

How is the overall national organisational framework towards undeclared work in your country best described? (Tick one box only)

- One single compliance unit/agency/organisation is responsible
- Different (government) departments/organisations are responsible for different aspects → Ga verder met vraag
- I don't know → Ga verder met vraag C. CHARACTERISTICS OF EXISTING NATIONAL INSPECTION SYSTEM

What is the name of the single compliance unit/agency/organisation? \_\_\_\_\_

What is this single compliance unit responsible for? (Tick all that apply)

- Strategy
- Operations
- Data--matching
- Other

List the (government) departments/organisations (including NGO's) with responsibility for different aspects of undeclared work:


On what types of undeclared work does your department/organisation focus?

	Tax	Social security	Labour law	Other, namely:
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What is the focus of the activities of your department/organisation?

	Strategy	Operations	Data sharing	Other
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How are the national goals for tackling undeclared work best described? (Tick one box only)

- Common: There is one set of national goals for tackling undeclared work that is common across the whole of government
- Shared: Some government departments/agencies have shared goals
- Separate: Each government department/agency has its own goals

**C. CHARACTERISTICS OF EXISTING NATIONAL INSPECTION SYSTEM**

The next questions focus on the policy measures used to tackle undeclared work in your country. They are divided in the following sections: penalties and measures to improve detection, preventative measures, curative measures, enabling compliance.

**PENALTIES AND MEASURES TO IMPROVE DETECTION**

Please indicate in the figure below which policy measures are used in your country.

	Tick if used in your country
<b>Penalties</b>	
Use of administrative sanctions for purchasers/companies	<input type="checkbox"/>
Use of administrative sanctions for suppliers/employees	<input type="checkbox"/>
Use of penal sanctions for purchasers/companies	<input type="checkbox"/>
Use of penal sanctions for suppliers/employees	<input type="checkbox"/>
<b>Measures to improve detection</b>	
Data matching and sharing	<input type="checkbox"/>
Workplace inspections	<input type="checkbox"/>
Registration of workers prior to starting work or on first day/week of work	<input type="checkbox"/>
Coordinating strategy across government	<input type="checkbox"/>
Certification of business, certifying payments of social contribution and taxes	<input type="checkbox"/>
Use of peer-to-peer surveillance (e.g. telephone hotlines)	<input type="checkbox"/>
Coordination of operations across government	<input type="checkbox"/>
Coordination of data sharing across government	<input type="checkbox"/>
Mandatory ID on the workplace	<input type="checkbox"/>

You have ticked which penalties and measures to improve detection are used in your country. Could you indicate how effective these measures are?

	Effective	Neutral	Ineffective
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**PREVENTATIVE MEASURES**

Please indicate in the figure below which policy measures are used in your country.

Tick if used in your country

**Preventative measures**

Reduction of regulation	<input type="checkbox"/>
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	<input type="checkbox"/>
Technological innovations to prevent undeclared transactions (e.g. certified cash registers)	<input type="checkbox"/>
Introducing new categories of work e.g., simplify procedures for small or mini-jobs	<input type="checkbox"/>
Use of direct tax incentives (e.g., exemptions, tax deductions)	<input type="checkbox"/>
Use of social security incentives	<input type="checkbox"/>
Initiatives to ease transition from unemployment into self-employment	<input type="checkbox"/>
Initiatives to ease transition from employment into self-employment	<input type="checkbox"/>
Changing minimum wage upwards	<input type="checkbox"/>
Changing minimum wage downwards	<input type="checkbox"/>
Training & support to business start-ups	<input type="checkbox"/>
Micro-finance to business start-ups	<input type="checkbox"/>
Advice on how to formalise	<input type="checkbox"/>
Connecting pension schemes to formal labour	<input type="checkbox"/>
Introducing supply chain responsibility	<input type="checkbox"/>
Restriction on free movement of (foreign) workers	<input type="checkbox"/>

You have ticked which preventative measures are used in your country. Could you indicate how effective these measures are?

	Effective	Neutral	Ineffective
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## CURATIVE MEASURES

Please indicate in the figure below which policy measures are used in your country.

Tick if  
used in  
your  
country

### Curative measures

Measures to encourage purchasers to buy formal goods and services:

Service vouchers	<input type="checkbox"/>
Targeted direct tax incentives (e.g., income tax relief/reduction/subsidy schemes)	<input type="checkbox"/>
Targeted indirect taxes (e.g., VAT reductions)	<input type="checkbox"/>
Measures to stimulate suppliers to formalise:	<input type="checkbox"/>
Society-wide amnesties	<input type="checkbox"/>
Individual-level amnesties for voluntarily disclosing undeclared activity	<input type="checkbox"/>
'Formalisation' advice to business	<input type="checkbox"/>
'Formalisation' support services to businesses	<input type="checkbox"/>
Targeted VAT reductions	<input type="checkbox"/>
Provide free record-keeping software to businesses	<input type="checkbox"/>
Provide fact sheets on record-keeping requirements	<input type="checkbox"/>
Provide free advice/training on record-keeping	<input type="checkbox"/>
Gradual formalisation schemes (e.g. wage alignments in Italy)	<input type="checkbox"/>

You have ticked which curative measures are used in your country. Could you indicate how effective these measures are?

	Effective	Neutral	Ineffective
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
13	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## FOSTERING COMMITMENT TO DECLARED WORK

Please indicate in the figure below which policy measures are used in your country.

Tick if  
used in  
your  
country

### Fostering commitment to declared work

Campaigns to inform undeclared workers of the risks and costs of working undeclared	<input type="checkbox"/>
Campaigns to inform undeclared workers of the benefits of formalising their work	<input type="checkbox"/>
Campaigns to inform users of undeclared work of the risks and costs	<input type="checkbox"/>
Campaigns to inform users of undeclared work of the benefits of declared work	<input type="checkbox"/>
Use of normative appeals to people to declare their activities	<input type="checkbox"/>
Measures to change perceived fairness of the system	<input type="checkbox"/>
Measures to improve procedural justice of the system (i.e., degree to which people believe government has treated them in a respectful, impartial and responsible manner)	<input type="checkbox"/>
Measures to improve tax/social security/labour law knowledge	<input type="checkbox"/>
Adoption of commitment rather than compliance approach (e.g., 'responsive regulation')	<input type="checkbox"/>
Campaigns to encourage a culture of commitment to declaration	<input type="checkbox"/>



You have ticked which measures to foster commitment to declared work are used in your country. Could you indicate how effective these measures are?

	Effective	Neutral	Ineffective
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**OTHER IMPORTANT MEASURES MISSED**

Please indicate below if there are other important policy measures which are used in your country and that are not included in the previous list.

Other important policy measures

1

2

3

You have named other policy measures to fight undeclared work. Please indicate how effective these measures are.

	Effective	Neutral	Ineffective
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Rank the three most effective policy 'themes' used in your country.  
(1 = most effective, 2 = effective, 3= least effective)

	Rank
Measures to improve detection	<input type="text"/>
Preventative measures	<input type="text"/>
Curative measures	<input type="text"/>
Fostering commitment to declared work	<input type="text"/>

What, on a national level, are the main difficulties the enforcement bodies face for detecting, preventing and inspecting situations of undeclared work? Please list in order of importance (first = most important).

What, on an international level, are the main difficulties the enforcement bodies face for detecting, preventing and inspecting situations of undeclared work? Please list in order of importance (first = most important).

#### D. CHARACTERISTICS OF EXISTING CROSS-BORDER CO-OPERATIONS ON UNDECLARED WORK

The next questions relate to characteristics of existing cross-border co-operations on undeclared work in which your country is involved.

To your knowledge, does your country/organisation participate in any cross-border cooperation in relation to tackling undeclared work? (Tick one box only)

- Yes
- No → Ga verder met vraag F. TOWARDS A EUROPEAN PLATFORM TO SOLVE DIFFICULTIES The European...
- Don't know → Ga verder met vraag F. TOWARDS A EUROPEAN PLATFORM TO SOLVE DIFFICULTIES The European...

How would you describe the current cross-border cooperation on undeclared work in your country? (Tick one box only)

- There is one single national unit/organisation that co-operates with other national governments/organisations in another country
- Different (government) departments cooperate with other national governments/organisations on various aspects
- Other, namely: \_\_\_\_\_
- Don't know

In what spheres does cross-border cooperation currently take place? (Tick all that apply)

- Strategy
- Operations
- Data-matching
- Exchange of information
- Don't know

Could you please name one or more (maximum of 3) examples of specific cross-border cooperations that currently exist?

Example number 1:

What is the name of this cross-border cooperation (if applicable)?

|

Which departments/organisations are involved in the cross-border cooperation?

Name of department/organisation	Country
---------------------------------	---------

What is the theme or topic of the cross border cooperation? (sector, target group or type of undeclared work)

|

Operational since:

(yyyy)

Is this cooperation in the realm of:  
(Tick all that apply)

- Strategy
- Operations
- Data-matching
- Exchange of information
- Other, namely: \_\_\_\_\_
- Don't know

Is it best to describe the governments involved as having:  
(Tick one box only)

- Common goals
- Shared goals
- Separate goals
- Don't know

Would you describe this cross-border cooperation as:  
(Tick one box only)

- Full cooperation – decide what to do together, act in partnership with common goals
- Acting together – decide together what is best, also act in a concerted manner in a partnership arrangement
- Deciding together – encourage others to provide ideas and options, and jointly decide the best way forward
- Consultation – offer a number of options for future work and listen to feedback you get, so as to learn from others
- Information – tell each other what is planned (either one-off or more progressively, on an ongoing basis)
- Don't know

Have any formal evaluations been conducted of this cross-border co-operation? (Tick one box only)

- Yes
- No → [Ga verder met vraag](#)
- Don't Know → [Ga verder met vraag](#)

From where can the evaluation be obtained?

What, if any, would you say have been the benefits of this cross-border co-operation?

What, if any, difficulties have been witnessed in practice in relation to this cross-border cooperation?  
Please list in order of importance. (1 = most important, 5 = least important).

Difficulties

	Difficulties
1	<input type="text"/>
2	<input type="text"/>
3	<input type="text"/>
4	<input type="text"/>
5	<input type="text"/>

Are there any lessons to be learned from this initiative for developing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work?

Would you like to add a second example of cross-border cooperation?

- Yes
- No → [Ga verder met vraag](#)

### Second example of cross-border cooperation

What is the name of this second cross-border cooperation (if applicable)?

Which departments/organisations are involved in the cross-border cooperation?

	Name of department/organisation	Country
1	<input type="text"/>	<input type="text"/>

What is the theme or topic of the cross border cooperation? (sector, target group or type of undeclared work):

Operational since:

  
(yyyy)

Is this cooperation in the realm of (Tick all that apply):

- Strategy
- Operations
- Data-matching
- Exchange of information
- Other, namely:
- Don't know

Is it best to describe the governments involved as having: (Tick one box only)

- Common goals
- Shared goals
- Separate goals
- Don't know

Would you describe this cross-border cooperation as (Tick one box only):

- Full cooperation – decide what to do together, act in partnership with common goals;
- Acting together – decide together what is best, also act in a concerted manner in a partnership arrangement;
- Deciding together – encourage others to provide ideas and options, and jointly decide the best way forward;
- Consultation – offer a number of options for future work and listen to feedback you get so as to learn from others;
- Information – tell each other what is planned (either one-off or more progressively, on an ongoing basis).
- Don't know

Have any formal evaluations been conducted of this cross-border co-operation? (Tick one box only)

- Yes
- No → [Ga verder met vraag](#)
- Don't Know → [Ga verder met vraag](#)

If yes, from where can the evaluation be obtained?

What, if any, would you say have been the benefits of this cross-border co-operation?

What, if any, difficulties have been witnessed in practice in relation to this cross-border cooperation?  
Please list/rank in order of importance. (1=most important, 5=least important)

Difficulties

	Difficulties
1	<input type="text"/>
2	<input type="text"/>
3	<input type="text"/>
4	<input type="text"/>
5	<input type="text"/>

Are there any lessons to be learned from this initiative for developing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work?

Would you like to add a third example of cross-border cooperation?

- Yes
- No → [Ga verder met vraag](#)

**Third example of cross-border cooperation**

What is the name of this third cross-border cooperation (if applicable)?

Which departments/organisations are involved in the cross-border cooperation?

	Name of department/organisation	Country
1	<input type="text"/>	<input type="text"/>

What is the theme or topic of the cross border cooperation? (sector, target group or type of undeclared work):

Operational since (YEAR):

Is this cooperation in the realm of: (Tick all that apply)

- Strategy
- Operations
- Data-matching
- Exchange of information
- Other, namely:
- Don't know

Is it best to describe the governments involved as having: (Tick one box only)

- Common goals
- Shared goals
- Separate goals
- Don't know

Would you describe this cross-border cooperation as (Tick one box only):

- Full cooperation – decide what to do together, act in partnership with common goals;
- Acting together – decide together what is best, also act in a concerted manner in a partnership arrangement;
- Deciding together – encourage others to provide ideas and options, and jointly decide the best way forward;
- Consultation – offer a number of options for future work and listen to feedback you get so as to learn from others;
- Information – tell each other what is planned (either one-off or more progressively, on an ongoing basis).
- Don't know

Have any formal evaluations been conducted of this cross-border co-operation? (Tick one box only)

- Yes
- No [↪ Ga verder met vraag](#)
- Don't Know [↪ Ga verder met vraag](#)

If yes, from where can the evaluation be obtained?

	↑
	↓

What, if any, would you say have been the benefits of this cross-border co-operation?

	↑
	↓

What, if any, difficulties have been witnessed in practice in relation to this cross-border cooperation?  
Please list/rank in order of importance. (1=most important, 5=least important)

Difficulties

1		↑
		↓
2		↑
		↓
3		↑
		↓
4		↑
		↓
5		↑
		↓

Are there any lessons to be learned from this initiative for developing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work?

	↑
	↓

**E. BEST PRACTICE**

Overviewing the above cross-border co-operation(s), could any of these be considered a best practice that could serve as an example for a European platform? (if so, please indicate which one and describe why)

	↑
	↓

**F. TOWARDS A EUROPEAN PLATFORM TO SOLVE DIFFICULTIES**

The European Commission wishes to assess the feasibility of establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work.

The next questions aim to assess your opinion as a professional expert on this subject.

On what aspects should a European platform pursue cross-border cooperation?  
(Tick one box only)

- All aspects that are of interest to national governments for combatting undeclared work
- Solely cross-border aspects of undeclared work

What realm of cross-border interaction do you think would best enhance the effectiveness of national governments? (Tick all that apply)

- Strategy
- Operations
- Data-matching
- Exchange information

Please comment:

	~
	v

What level of cross-border interaction do you think would best enhance the effectiveness of national governments? (Tick one box only)

- Full cooperation – decide what to do together, act in partnership with common targets
- Acting together – not only do you decide together what is best but you also act in a concerted manner in a partnership arrangement
- Deciding together – encourage others to provide ideas and options, and jointly decide the best way forward
- Consultation – offer a number of options for future work and listen to feedback you get so as to learn from others

Please comment:

	~
	v

Which of the following specific activities could be usefully pursued by a European platform for cooperation?

- Joint inspections
- Exchange strategic (non-personal) data, such as technical expertise and experiences via meetings, annual technical workshops
- Exchange operational (personal) data
- Create common data-holding facility/information hubs
- Develop ?knowledge bank? of best practice
- Provision of research & evaluation capability (e.g., expertise on cross-border issues; policy transferability)
- Cooperation on cross-border operations (e.g., campaigns)
- Coordinate development of common strategy
- International training function (e.g., educational facility, joint training, training programmes) Provide in-country training programmes
- Provide in-country training programmes
- International cooperation with wider non-member states
- Provide expert advice on EU legislation & decisions
- Other functions missed above, namely: \_\_\_\_\_
- Other functions missed above, namely: \_\_\_\_\_
- Other functions missed above, namely: \_\_\_\_\_

What forms of interaction might be used by such a European platform?(Tick all that apply)

- Face-to-face forums
- Virtual interactions, including video-conferencing
- Blogs for ideas exchange
- Electronically accessible 'knowledge bank'
- Interviews
- Other

What opportunities do you foresee for a European platform?

What difficulties do you foresee for a European platform?

To conclude, could you please provide us with contact details of the persons or departments/agencies you think should also fill out this questionnaire?

(For example, of the organisations that you mentioned earlier within your national institutional framework, or organisations that are involved in cross-border co-operation.)

Name	Department/organisation	Country	Email
------	-------------------------	---------	-------

Regioplan Policy Research would like to consult some of the respondents in a later stage of this study for additional information and/or possible participation in an expert workshop. May we contact you again at that time?

Yes

No [Ga verder met vraag](#)

Could you please provide us with your contact details?

Name:

Email:

Phone number:

Please feel free to make any comments on this consultation or questionnaire.

## Afsluitende pagina

This concludes our survey. Thank you very much. If you wish to provide us with additional information (documents, web links etc), please do not hesitate to write us at [undeclaredwork@regioplan.nl](mailto:undeclaredwork@regioplan.nl).





**ANNEX 3**
**INTERVIEWS: LIST OF STAKEHOLDERS/INTERVIEWEES**

Below we present the list of the stakeholders that were interviewed.

**Table A3.1 Interviews for task 1: Main characteristics of institutional and inspection framework**

Nr.	Country	Type of organisation	Name organisation	Name respondent	Position	Face-to-face / telephone / e-mail
1	Austria	National government	Federal Ministry of Finance, Control of Illegal Employment of Workers (KIAB)	Herwig Heller	Head of Anti-Fraud Authority KIAB	Telephone
2	Belgium	Trade union	European Federation of Building and Woodworkers (EFBWW)	Werner Buelen	Political Secretary 'Building'	Face-to face
3	Cyprus	National government	Ministry of Labour and Social Insurance	Andreas Apostolou	Labour Relations Officer	E-mail
4	Czech Republic	National government	Ministry of Labour and Social Affairs	Ondrej Brychta	Foreign Employment Unit	E-Mail
5	Estonia	Labour inspectorate	State Labour Inspectorate	Niina Siitam	Head of the Labour Relations Department	Face-to-face
6	France	National government	National Institute for Labour, Employment and Vocational Training (INTEPF)	Jean Daniel Cristoforetti	Director of studies	E-mail
7	France	National government	National Institute for Labour, Employment and Vocational Training (INTEPF)	Annie Humbert	Assistant of director of studies, general coordination	E-mail
8	Germany	Customs	German Customs Administration West	Hans Henning Strauss	Member unit national and international cooperation	E-mail
9	Greece	Research organisation	Centre for European Constitutional Law	Maria Mousmouti	Director	E-mail
10	Hungary	Employers' organisation	Social Dialogue at the Confederation of Hungarian Employers and Industrialists (MGYOSZ)	Adrienn Bálint	Director	E-mail
11	Iceland	Tax administration	Iceland Tax Authority	Johann Asgrimsson	Member Division of Tax Control	Telephone and e-mail
12	Latvia	Labour inspectorate	State Labour Inspectorate	Vilnis Virza	State Labour Inspectorate	Face-to-face
13	Lithuania	Labour	Labour Inspectorate	Vilius Maciulaitis	Deputy Chief	Face-to-face

Nr.	Country	Type of organisation	Name organisation	Name respondent	Position	Face-to-face / telephone / e-mail
		inspectorate			Labour	
14	Malta	Employment services	The Employment and Training Corporation	Anthony Muscat	Senior executive Law Compliance Unit	Telephone and e-mail
15	Netherlands	Research organisation	AIAS-University of Amsterdam	Jan Cremers	Fellow researcher	Face-to-face
16	Netherlands	Social inspection unit	Social Intelligence and Investigation Service (SIOD)	Nico Babbeko	Head of Investigation	Face-to-face
17	Poland	Employers' organisation	Confederation of Polish Employers	Adam Ambrozik	Director of the Entrepreneurship and Social Dialogue Department	E-mail
18	Portugal	Labour inspectorate	Regional Labour Inspectorate	Paula Pamplona Ramos	Inspector	E-mail
19	Romania	Research organisation	National Institute for Scientific Research in the Field of Work and Social Protection (INCSDMPS)	Cătălin Ghinăru	Scientific Secretary	Telephone and e-mail
20	Sweden	Tax administration	Swedish Tax Authority	Bo Arvidsson	Director	E-mail
21	Sweden	Tax administration	Swedish Tax Authority	Annika Persson	Researcher	E-mail
22	European Union	Labour inspectorate	Senior Labour Inspectors Committee (SLIC)	Andrew Murray	Policy officer	Telephone
23	European Union	Other	Implementing Cooperation in a European Network against Undeclared Work (ICENUW)	Didier Verbeke	Project leader	Face-to-face and e-mail
24	European Union	Social security	Working group European Benefit Fraud	Miranda Vermeulen	International manager UWV-IBF	Telephone

**Table A2. Interviews for task 3: EU-level cooperations in other sectors**

Nr.	Country	Type of organisation	Name organisation	Name respondent	Position	Face-to-face or by telephone
1	European Union	Other	EUROPOL	Tom Driessen	Deputy director	Face-to-face
2	European Union	Other	European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL)	Marina de Gier	Member steering committee cluster transfrontier shipment of waste	Telephone
3	European Union	Other	EUROJUST	Arend Vast	Representative of Netherlands	Face-to-face
4	European Union	Other	EUROFISC	Marian Bette	Member Anti Tax Fraud Strategy group	Telephone

Nr.	Country	Type of organisation	Name organisation	Name respondent	Position	Face-to-face or by telephone
5	European Union	Other	Community Fisheries Control Agency (CFCA)	Harm Koster	Director	Telephone
6	European Union	Other	Network and information security agency (ENISA)	Steve Purser	Head of Technical Competence Department	Telephone
7	European Union	Other	European Crime Prevention Network (EUCPN)	Ireen Winters	Research officer	Telephone
8	European Union	Other	European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and EDDRA	Alexis Goosdeel	Head of unit REITOX, international cooperation and focal points	Telephone
9	European Union	Other	Food and Veterinary Office (FVO)	Franciscus Andriessen	Head of unit quality, planning and development	Telephone



## ANNEX 4

### Workshops: list of participants

Below we present the lists of the participants of the 5 workshops.

#### Participants workshop West

Amsterdam, 25<sup>th</sup> and 26<sup>th</sup> of April 2010

Name	Country	Type of organisation	Name of organisation
Ludo Beck	Belgium	National government	Social security office
Ger Deering	Ireland	National government	National Employment Rights Authority
Jan Cremers	Netherlands	Research organisation	AIAS-UvA
Peter Vonk	Netherlands	Social inspection unit	Social Intelligence and Investigation Service (SIOD)
Henk van der Kooi	Netherlands	National government	Ministry of Social Affairs and Employment
Darryl Dixon	United Kingdom	Labour inspectorate	Gangmasters Licensing Authority
Aaron Barbour	United Kingdom	NGO	UK voluntary sector organisation 'Community Links'
David Stephens	United Kingdom	Revenue administration	HM Revenue and Customs, Hidden Economy Advisory Group
Helga Dekker Elske Oranje Piet Renooy Francien Rosing Colin Williams		Research team	

#### Participants workshop South

Sofia, 4<sup>th</sup> of May 2010

Name	Country	Type of organisation	Name organisation
Todor Tomov	Bulgaria	Trade union	Confederation of Independent Trade Unions in Bulgaria
Svetlozar Zlatanov	Bulgaria	Social security organisation	National Social Security Institute
Irena Dimitrova	Bulgaria	Labour inspectorate	Bulgarian labour inspection
Andreas Apostolou	Cyprus	National government	Ministry of Labour and Social Insurance
Maria Mousmouti	Greece	Research organisation	Centre for European Constitutional Law
Anthony Muscat	Malta	National government	The Employment and Training Corporation
Paula Pamplona Ramos	Portugal	Labour inspectorate	Inspecção Regional do Trabalho
Cătălin Ghinăraru	Romania	National research	National Institute for

Name	Country	Type of organisation	Name organisation
		organisation	Scientific Research in the Field of Work and Social Protection (INCSDMPS)
Iani Mina	Romania	Labour inspectorate	Romanian Labour Inspection
Ana Isabel Mariño Bahamonde	Spain	Labour inspectorate	Spanish Inspection on Labour and Social Security
Sonia Colantonio	Italy	National government	Ministry of Labour and Social Policy
Piet Renooy Francien Rosing Ruslan Stefanov		Research team	

### Participants workshop Central

Sofia, 11<sup>th</sup> of May 2010

Name	Country	Type of organisation	Name organisation
Rumen Donev	Bulgaria	National government	Ministry of Labour and Social Policy
Todor Tomov	Bulgaria	Trade union	Confederation of Independent Trade Unions in Bulgaria
Herwig Heller	Austria	National government	The Federal Ministry of Finance, Combating Fraud unit
Ondrej Brychta	Czech Republic	National government	Ministry of Labour and Social Affairs of the Czech Republic
Adam Ambrozik	Poland	Employers' organisation	Confederation of Polish Employers
Jaroslaw Cichon	Poland	Labour inspectorate	International Relations Unit Chief Labour Inspectorate
Teresa Jastrzebska	Poland	Labour inspectorate	International Relations Unit Chief Labour Inspectorate
Anže Hiršl	Slovenia	Employers' organisation	Association of Employers of Slovenia (ZDS)
Nataša Vidmar	Slovenia	National government	Ministry of Labour, Family and Social Affairs
Adrienn Balint	Hungary	Employers' organisation	Confederation of Hungarian Employers and Industrialists (MGYOSZ)
Ráczné Judit Bencze	Hungary	Labour inspectorate	Hungarian Labour Inspectorate (OMMF)
Rastislav Haluška	Slovakia	Labour inspectorate	National Labour Inspectorate, Košice
Elske Oranje Ruslan Stefanov Colin Williams		Research team	

### Participants workshop Nordic-Baltic Region

Vilnius, 18<sup>th</sup> and 19<sup>th</sup> of May 2010

Name	Country	Type of organisation	Name organisation
Ronnie Nielsen	Denmark	Tax administration	Danish Tax and Customs Administration
Bo Arvidsson	Sweden	Tax authority	Swedish Tax Authority
Kirsti Yli-Halla	Finland	Tax administration	Western Finland Regional Tax Office
Arni Stefansson	Iceland	National government	Ministry of Social Affairs
Johann Asgrimsson	Iceland	Tax authority	Division of Tax Control
Edite Silova	Latvia	Tax administration	State Revenue Service
Egon Veermäe	Estonia	Tax authority	Estonian Tax and Customs Board
Lars Jone Skimmeland	Norway	Tax administration	Tax administration Norway
Vilius Maciulaitis	Lithuania	Labour inspectorate	Labour inspectorate
Päivi Kantanen	Finland	National government	Ministry of Employment and Economy
Sergejus Glovakas	European Union	Trade union	International Trade Union Confederation
Raita Karnite	Latvia	Research organisation	Latvian Academy of Sciences, Economic Prognosis Centre
Inga Blaziene	Lithuania	Research organisation	Institute of Labour and Social Research
Helga Dekker Piet Renooy Colin Williams Charles Woolfson		Research team	

### Participants final workshop

Amsterdam, 9<sup>th</sup> of July 2010

Name	Country	Type of organisation	Name organisation
Ludo Beck	Belgium/European Union	Labour inspectorate	Senior Labour Inspectors Committee (SLIC)
Leo Boer	Netherlands	Tax authority	Dutch Anti-Fraud agency (FIOD)
Werner Buelen	European Union	Trade union	European Federation of Building and Woodworkers (EFBWW)
Domenico Campogrande	European Union	Employers' organisation	European Construction Industry Federation (FIEC)
Jan Cremers	Netherlands	Research organisation	AIAS, University of Amsterdam
Ger Deering	Ireland	Government organisation	National Employment Rights Authority
Sjoerd Feenstra	European Union	International Organisation	EC, DG Employment
Codruta Liliana Filip	European Union	Trade union	European Federation of Trade Unions in the Food,

Name	Country	Type of organisation	Name organisation
			Agriculture and Tourism sectors (EFFAT)
Hans Henning Strauss	Germany	Tax authority	German Customs Administration West
Tom Gibcus	European Union	Employers' organisation	Eurociett
Claude Lorang	European Union	Labour inspectorate	ITM labour inspectorate Luxembourg
Maria Mousmouti	Greece	Research organisation	Centre for European Constitutional Law
Radoslaw Owczarzak	European Union	European agency	Foundation for the improvement of Living and Working Conditions
Joaquim Pintado Nunes	Portugal	Labour inspectorate	Authority for Working Conditions (ACT)
Dave Stephens	United Kingdom	Revenue administration	HMRC, Hidden Economy Advisory Group
Maria-Luz Vega	International	International organisation	International Labour Organisation Geneva, LAB/ADMIN
Egon Veermäe	Estonia	Tax authority	Tax and Custom Board
Didier Verbeke	European Union	International organisation	ICENUW
Miranda Vermeulen	Netherlands	Social security organisation	UWV IBF
Nataša Vidmar	Slovenia	National government	Ministry of labour, familiy and social affairs
Helga Dekker Elske Oranje Piet Renooy Ruslan Stefanov Colin Williams		Research team	



**ANNEX 5**
**COUNTRY PROFILES**

	<b>Country</b>		<b>Page</b>
1.	AT	Austria	125
2.	BE	Belgium	130
3.	BG	Bulgaria	134
4.	CY	Cyprus	140
5.	CZ	Czech Republic	144
6.	DK	Denmark	149
7.	EE	Estonia	152
8.	FI	Finland	155
9.	FR	France	157
10.	DE	Germany	160
11.	GR	Greece	162
12.	HU	Hungary	167
13.	IS	Iceland	172
14.	IE	Ireland	173
15.	IT	Italy	176
16.	LV	Latvia	184
17.	LI	Liechtenstein	187
18.	LT	Lithuania	189
19.	LU	Luxemburg	192
20.	MT	Malta	194
21.	NL	Netherlands	198
22.	NO	Norway	202
23.	PL	Poland	204
24.	PT	Portugal	210
25.	RO	Romenia	214
26.	SK	Slovakia	220
27.	SI	Slovenia	225
28.	ES	Spain	230
29.	SE	Sweden	234
30.	CH	Switzerland	236
31.	UK	United Kingdom	238



## AUSTRIA

The Austrian industrial relations system is mainly based on close voluntary cooperation between employers, employees and the state – which is commonly referred to as social partnership. In contrast with other countries, social partnership is not just a system of labour management relations or of wage bargaining; rather, it signifies a highly institutionalised cooperation between the industrial relations actors that covers all important matters of economic and social policy. In Austria, the conclusion of collective agreements is essentially confined to the private sector. These agreements are negotiated, almost without exception, at multi-employer sectoral level. Collective agreements are legally binding and the coverage rate lies between 98% and 99%.

### A. Departments/agencies responsible for tackling undeclared work

**The Federal Ministry of Social Affairs and Consumer Protection** (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz – BMSK*)<sup>72</sup> implements and monitors the policies related to labour and self-employment.

**The Labour Inspectorate**<sup>73</sup> to the **Federal Ministry of Social Affairs and Consumer Protection** monitors the implementation and compliance of the legal regulations for protection of workers as an independent authority. The Labour Inspectorate is the largest organisation legally mandated to combat deficits in health and safety at work in Austria.

Within the **Federal Ministry of Finance**, a **special law enforcement unit**<sup>74</sup> (*Kontrolle der illegalen Ausländerbeschäftigung – KIAB*) was established in 2002 to combat illicit work of foreign workers. With the addition of the portfolio in 2003 the unit monitors the compliance with social insurance and tax legislation regarding employment regulations. The preventive work of the **Control of illegal workers employment unit** largely intends to prevent unfair competition as a result of competitive advantages through illegal employment and welfare fraud. Its aim is to help in introducing legal measures to combat the instances of ‘social fraud’. Undeclared work is part of what is considered ‘social fraud’, defined as the recruitment, placement and hiring out of workers without registering them with the relevant social insurance institutions. The unit monitors the observation of employment regulations.<sup>75</sup>

**Federal Ministry of Economy, Family and Youth** (*Bundesministerium für Wirtschaft, Familie und Jugend – BMWFI*)<sup>76</sup> implements location policy, employment policy, competition policy and public procurement policy for Austria and monitors undeclared work (in the

---

<sup>72</sup> Website of the Austrian Federal Ministry of Social Affairs and Consumer Protection.

<sup>73</sup> Website of the Austrian Labour inspection.

<sup>74</sup> Website of the Austrian special law enforcement unit to the Federal Ministry of Finance.

<sup>75</sup> Website of Eurofound - Measures to Combat ‘Social Fraud’, Austria.

<sup>76</sup> Website of the Austrian Federal Ministry of Economy, Family and Youth.

context of self-employment schemes). According to estimates of the former Federal Ministry of Economy and Labour Affairs (*Bundesministerium für Wirtschaft und Arbeit* – BMWA), in 2006 only slightly more than 10,000 out of more than 150,000 household workers were legally employed in terms of both labour and social insurance law on the one hand and – with respect to foreign workers – both work permit and residential status on the other hand (EIRO, 2006).

The **Social Insurance Association for Entrepreneurs and Self-Employed Workers** (*Sozialversicherungsanstalt der gewerblichen Wirtschaft* –, SVA)<sup>77</sup> is an institution, dealing with insurance, pension and health insurance of self-employed, and its jurisdiction extends to the entire federal territory. The Social Insurance Association for Entrepreneurs and Self-Employed Workers is a public corporation and has legal personality. Guiding principle of the Social Insurance Association for Entrepreneurs and Self-Employed Workers is the self-government. This means that the affairs of the social security of professions are to be exercised in autonomy. The State reserves the right to oversight.

The **Main Association of Social Insurance Providers** (*Hauptverband der Sozialversicherungsträger* – HSV), is the umbrella organisation for all of the country's social insurance institutions, which is also obliged to select one institution to take charge of administering the household services cheque' initiative in 2005–2006 in order to curb undeclared work. The Main Association of Social Insurance Providers appointed the Insurance Associations for Railway and Mining Workers (*Versicherungsanstalt für Eisenbahnen und Bergbau* – VAEB) as being the relevant 'competence centre'.

The **Chamber of Labour** (*Arbeiterkammer* – AK)<sup>78</sup> provides assessments and recommendations, including on the implementation of the 'household services cheque' initiative in 2005–2006.

Other potentially relevant institutions (not mentioned in relation to specific measures):

**Federal Ministry for Justice** (*Bundesministerium für Justiz* – BMJ), [www.bmj.gv.at/](http://www.bmj.gv.at/)  
**Austrian Trade Union Federation** (*Österreichischer Gewerkschaftsbund* – ÖGB), Website: [www.oegb.at](http://www.oegb.at)

**Law Information System** (*Rechtsinformationssystem* – RIS) of the Federal Chancellery (*Bundeskanzleramt* – BKA), Website: [www.ris.bka.gv.at](http://www.ris.bka.gv.at)

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The **Labour Inspectorate**<sup>79</sup> is the main body that has in its mandate to ensure cross-agency cooperation on UDW and it works closely with:

---

<sup>77</sup> Website of the Austrian Social Insurance Association for Entrepreneurs and Self-Employed Workers.

<sup>78</sup> Website of the Austrian Chamber of Labour.

<sup>79</sup> Website of the Austrian Labour inspection.

- employees, safety representatives and works councils;
- trade and planning companies;
- prevention trade unions and prevention centres;
- chambers, trade unions and professional associations;
- social Security Institutions and Public Employment Institutions;
- research, testing and counselling;
- training facilities;
- transport labour inspection, mining authorities, agriculture and forestry inspection;
- and other authorities, such as for example District authorities, building authorities and security agencies.

The **Control of illegal workers employment unit (KIAB)** within the **Federal Ministry of Finance** work in cooperation with the offices of the Employment Service and the tax authorities which have to notify the competent authorities to reasonable suspicion that there is a violation of employment law, social security law, health and environmental protection law, tax law and business law legal regulations.

### **C. Existing cross-national cooperations on undeclared work**

Austria participates in the **Union Network International – Europa (UNI – Europa)**<sup>80</sup> and in the **Confederation of European Security Services (CoESS)**.<sup>81</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>82</sup>

The country is also a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>83</sup> along with Portugal, Spain, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, the Czech Republic, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>84</sup>

---

<sup>80</sup> UNI Europa is a European trade union federation.

<sup>81</sup> Website of the Confederation of European Security Services (CoESS).

<sup>82</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

<sup>83</sup> European Confederation of Private Employment Agencies (Eurociett).

<sup>84</sup> The agency work industry around the world (2009).

## D. Measures to tackle undeclared work

### Reform of private geriatric nursing system<sup>85</sup>

For cost-saving reasons, many older people in Austria engage illegal foreign workers to provide private nursing care at home. In order to legalise this work and to make care services more affordable, the Austrian parliament passed new legislation in 2007. Thus, illegally operating care workers may now be employed under the terms of the **Private Household Workers Act** or be entitled to join the ranks of self-employed nurses. Due to a lack of accompanying evaluation to date, the effects of this initiative have largely remained unclear.

### Introduction of household services cheque<sup>86</sup>

In order to increase legal activity rates in the private household services sector, which is characterised by a high degree of illicit employment practices, the Austrian government introduced the 'household services cheque' initiative in 2005–2006. As well as curbing undeclared work, the scheme aims to improve the social protection of the workers concerned. The scheme enables people using household-related services to pay for these by special cheque instead of cash – including some social insurance contributions. Results from an evaluation of the scheme have been interpreted quite differently by the various actors involved.

### Measures to combat 'social fraud'<sup>87</sup>

The Austrian government has, since 2004, introduced a series of legal measures to tackle the growing incidence of 'social fraud' practices, particularly in the construction sector. At the end of 2004, the parliament passed the **Social Fraud Bill** (*Sozialbetrugsgesetz – SozBeG*), which came into effect on 1 March 2005. The bill extended the existing legal provisions of criminal law concerning organised tax and social fraud. Before this legislation, operators of 'pseudo-companies' had only been threatened with administrative fines. Since 1 March 2005, they face imprisonment of up to five years for such practices. Moreover, the term of imprisonment for organised undeclared work – that is, the recruitment, placement and hiring out of workers without registering them with the relevant social insurance institutions – was extended to two years.

A second important legislative initiative tackling fraudulent practices in companies was taken by the parliament in June 2007, when the **General Social Security Act** (*Allgemeines Sozialversicherungsgesetz – ASVG*) was amended. The amendment, which came into effect on 1 January 2008, stipulates that employers are obliged to register their employees with the relevant social insurance institutions before the commencement of work. Moreover, the amendment provides for a stricter penalty scheme for infringements of the registration law, increasing the ceiling of fines for repeated offenders from €3,630 to €5,000 for each case of illegal employment.

---

<sup>85</sup> Website Eurofound Austria.

<sup>86</sup> Idem.

<sup>87</sup> Idem.

## References

- Eurofound  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry1.htm>
- Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organisation – Geneva, January 2010, [http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)
- Website of the Austrian Chamber of Labour  
<http://www.arbeiterkammer.at/online/page.php?P=3>
- Website of the Austrian Federal Ministry of Economy, Family and Youth  
<http://www.bmwfj.gv.at/Seiten/default.aspx>
- Website of the Austrian Federal Ministry of Social Affairs and Consumer Protection  
<http://www.bmsk.gv.at/>
- Website of the Austrian Labour inspection:  
<http://www.arbeitsinspektion.gv.at/AI/default.htm>
- Website of the Austrian Labour inspection:  
<http://www.arbeitsinspektion.gv.at/AI/default.htm>
- Website of the Austrian Social Insurance Association for Entrepreneurs and Self-Employed Workers : [http://esv-sva.sozvers.at/portal27/portal/svportal/start/startWindow?action=2&p\\_menuid=6259&p\\_tabid=1](http://esv-sva.sozvers.at/portal27/portal/svportal/start/startWindow?action=2&p_menuid=6259&p_tabid=1)
- Website of the Austrian special law enforcement unit to the Federal Ministry of Finance  
[https://www.bmf.gv.at/Betrugsbekämpfung/Steuer/KIAB/\\_start.htm](https://www.bmf.gv.at/Betrugsbekämpfung/Steuer/KIAB/_start.htm)
- European Confederation of Private Employment Agencies (Eurociett):  
<http://www.euro-ciett.org/index.php?id=75>

## BELGIUM

### A. Departments/agencies responsible for tackling undeclared work

Multiple departments in Belgium are involved in tackling undeclared work. Enforcement of undeclared work is a federal matter.

The labour inspection is divided into several departments.<sup>88</sup> Two general directorates are responsible for the inspection of work.

The first one is the **Directorate inspection of social law** (*Algemene Directie Toezicht op de Sociale Wetten*). The **Directorate inspection of social law** of the **Belgian Federal Public Service Employment, Labour and Social Dialogue** (*Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg*) is responsible for drafting policy regarding enforcement of undeclared work.

The second directorate focuses on health and safety at work. Both directorates are part of the Belgian Federal Public Service Employment, Labour and Social Dialogue.

---

<sup>88</sup> Website federal public service employment, labour and social dialogue.

Another department of the labour inspection is a division within the Belgian Federal Public Service Social Security, which is called the Social Inspection (*Sociale Inspectie*).

The **National Social Security Office** (*Rijksdienst voor Sociale Zekerheid*) is a public body that supports employers and their representatives in the application of national social law and provides information on registrations and declarations.

Another Belgian public agency is the **National Employment Office** (*Office National de l'Emploi/Rijksdienst voor Arbeidsvoorziening – ONEM/RVA*). This agency assists the unemployed by securing their income and by advising them on finding a new job. Furthermore, they inform the employed on labour law and employment contracts.

The **Social Intelligence and Investigation Service** (SIOD) is a separate service chaired by the minister of employment, Labour and Social Dialogue, the minister of social security and the minister of Justice.<sup>89</sup> The SIOD is a relatively new service, established in 2006 to replace the federal council and committee for coordination to prevent undeclared work and social fraud. It does not perform investigation services on its own. As a coordinating organisation they assist the other federal social inspection services in their fight against undeclared work.

Their goal is to:<sup>90</sup>

- carry out and implement developed policy on undeclared work;
- undertake actions to prevent undeclared work;
- assist the inspection services and districts;
- place international cooperation on the agenda;
- support cooperation between the federal and regional governments in their fight against undeclared work;
- elaborate on the strategic and operational plans against undeclared work and evaluate the outcomes.

These goals are pursued by acting as an advisory organ, offer proposals to the responsible ministers and recommend proposals on implementing regulations on undeclared work and social fraud. The SIOD holds monthly meetings with the responsible public services and authorised governments.

Furthermore, other organisations are active in the field against undeclared work. In Belgium, many joint industrial committees (*Paritaire comités*) are active. Furthermore, trade unions and employer organisations cooperated in their fight against undeclared work and fraud<sup>91</sup>. Among other methods, 'hard actions' (police inspections/controls) are being used to tackle undeclared work.

---

<sup>89</sup> Website SIOD, Federal public service employment, labour and social dialogue.

<sup>90</sup> idem.

<sup>91</sup> Pacolet, J. (2007).



## B. Cross-agency cooperation on strategy, operations and/or data sharing

As mentioned above, the SIOD can be seen as a coordinating organisation that provides for cooperation between the different responsible agencies on a strategic and operational level. The actors involved in the implementation of SIOD include the:

- Federal Ministry of Justice (*Service public fédéral Justice/Federale Overheidsdienst Justitie*);
- Federal Ministry of Social Security (*Service public fédéral Sécurité sociale/Federale Overheidsdienst Sociale Zekerheid*);
- Federal Ministry of Employment, Labour and Social Dialogue (*Service public fédéral Emploi, Travail et Concertation sociale/Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg*).

The international migration information system **LIMOSA**<sup>92</sup> (*Landenoverschrijdend Informatiesysteem Migratie Onderzoek Sociaal Administratief*) is a project in which different departments cooperate together in the fight against fraud and unfair competition of foreign workers who disregard Belgian labour laws and regulations and accept work at below-market wages.

On 1 April 2007, the system was introduced by the:

- Federal Ministry of Social Security (*Service public fédéral Sécurité sociale/Federale Overheidsdienst Sociale Zekerheid*);
- Ministry of Small and Medium-sized Enterprises (SMEs) and Agriculture which has now become the Ministry of Economy, SMEs, Independent Professions and Energy (*Service public fédéral Economie – PME, Classes moyennes et Energie/ Federale Overheidsdienst Economie – KMO, Middenstand en Energie*);
- Ministry of Employment, Labour and Social Dialogue (*Service public fédéral Emploi, Travail et Concertation sociale/Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg*).

Its operations are managed by:

- National Office for Social Security (*Office National de Sécurité Sociale/Rijksdienst voor Sociale Zekerheid – ONSS/RSZ*);
- the Crossroads Bank for Social Security (*Kruispuntbank van de Sociale Zekerheid – KSZ*);
- other ministries, such as the ministry of finance (*Service public fédéral Finances/ Federale Overheidsdienst Financiën*);
- Regional governments of Brussels, Flanders and Wallonia.

The **Social Inspection Services Anti-fraud Organisation**<sup>93</sup> (*Organisation Anti-fraude des Services d'Inspection Sociale - OASIS*) is a data warehouse organised by federal government ministries and national offices. It was set up in 2001 in the framework of a common anti-fraud project, to combat social security fraud in a systematic and structured

---

<sup>92</sup> Website Eurofound, Limosa Belgium.

<sup>93</sup> Website Eurofound, OASIS, Belgium.

way. Again, the Crossroads Bank for Social Security (*Kruispuntbank van de Sociale Zekerheid* – KSZ) cooperates in this initiative by providing data.

The following department and organisations are involved in the project:

- Federal Ministry of Employment, Labour and Social Dialogue (*Service public fédéral Emploi, Travail et Concertation sociale/ Federale Overheidsdienst Werkgelegenheid, Arbeid en Sociaal Overleg*);
- Federal Ministry of Social Security (*Service public fédéral Sécurité sociale/Federale Overheidsdienst Sociale Zekerheid*);
- National Office for Social Security (*Office National de Sécurité Sociale/Rijksdienst voor Sociale Zekerheid* – ONSS/RSZ) ;
- National Employment Office (*Office National de l'Emploi/Rijksdienst voor Arbeidsvoorziening* – ONEM/RVA).

The project **Dimona** (*Déclaration Immédiate/Onmiddellijke Aangifte*)<sup>94</sup> enforces the immediate electronic registering of employees by employers with the National Office for Social Security (*Rijksdienst voor Sociale Zekerheid* – RSZ). This guarantees that every time an employee is hired by or leaves an employer, an electronic notification is submitted to all social security agencies. RSZ is responsible.

Because so many agencies, ministries and inspections are involved with combating social and fiscal fraud, on 29 April 2008, a committee was founded in which all ministers that are involved in the combat against fraud and directors of all involved agencies were seated (social, fiscal, juridical, police). The committee's position is directly under the secretary of state responsible for the coordination of tackling fraud. Every year the committee is expected to draw up an integrated plan for action against fraud.

### C. Existing cross-national cooperations on undeclared work

Belgium participates in many bilateral cooperations to prevent and fight several forms of undeclared work. For instance, Belgium negotiated with Luxembourg and Germany to prevent cross-border undeclared work. Furthermore, Poland, the Netherlands, Portugal, Bulgaria and France are involved in bilateral cross-national cooperations with Belgium.<sup>95</sup>

The main goal of the cross-border cooperations is information exchange and to some extent data matching. Departments in Belgium that are involved in the cross-border cooperations are RSZ, RIZIV and Social Inspection (*Sociale Inspectie*).<sup>96</sup> They cooperate for instance with URSSAF in France. The FOD *Sociale Zekerheid* negotiated a treaty between France and Belgium, which provided a frame for the administrative and technical agreements between French and Belgian institutions.

---

<sup>94</sup> Website Eurofound, Dimona, Belgium.

<sup>95</sup> Devlies, C. (2009).

<sup>96</sup> Web questionnaire Regioplan 2010.

The main difficulties cross-border cooperations had to face concerned restriction of data exchange due legislation on data protection, lack of accurate information and language difficulties.<sup>97</sup>

## D. Measures to tackle undeclared work

One of the famous measures being used in Belgium to tackle undeclared work is the use of service vouchers. The system of '**Local employment agencies**' (*Agences locales pour l'emploi/Plaatselijke werkgelegenheidsagentschappen – ALE/PWA*) was the first attempt to transfer certain household services into the formal labour market in Belgium. Up to then, many of these services tended to be made available through undeclared work. Through the ALE/PWA, long-term unemployed people can carry out neighbourhood services for private persons, local authorities, non-profit associations or schools for up to 45 hours a month. They keep their entire unemployment benefit and receive an income supplement of €4.10 per hour worked; this is paid by means of ALE/PWA vouchers obtained by the service users.<sup>98</sup>

See for other measures part B on cross-agency cooperation.

### References

- Website Federal public service employment, labour and social dialogue  
[http://www.meta.fgov.be/detailA\\_Z.aspx?id=916](http://www.meta.fgov.be/detailA_Z.aspx?id=916)
- Website SIOD, Federal public service employment, labour and social dialogue,  
<http://www.meta.fgov.be/siod.aspx>
- Pacolet, J. (2007). *European Employment observatory, undeclared work and the fight against it in Belgium*. p.11. Policy Research Centre Work and Social Economy.
- Eurofound database (2009), *Limosa Belgium*. Retrieved March, 2010 from  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/be002.htm>
- Devlies, C. (2009) *Eerste gecoördineerde nationale controleactie in de bouw*, p.8
- Database Eurofound, Service vouchers, Belgium.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/be004.htm>
- Website Eurofound, OASIS, Belgium  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/be003.htm>
- Website Eurofound, Dimona, Belgium  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/be001.htm>

---

<sup>97</sup> Idem.

<sup>98</sup> Website Eurofound, Service vouchers Belgium.

## BULGARIA

### A. Departments/agencies responsible for tackling undeclared work

**The Ministry of Labour and Social Policy** (*Министерство на труда и социалната политика – МТСП*), [www.mlsp.government.bg/](http://www.mlsp.government.bg/), develops drafts of legislation, proposes programmes and measures to tackle the undeclared work. The Ministry of Labour and Social Policy implements the state policy through its specialised units, namely the Employment Agency, General Labour Inspectorate, Social Assistance Agency and their regional structures, and the Agency for Foreign Aid. It regulates the activity of labour market institutions at national and regional level. It also participates in the development of the main parameters of the social security and payments related to it.

1. **The General Labour Inspectorate Executive Agency**, (*Изпълнителна агенция 'Главна инспекция по труда'*), <http://www.gli.government.bg/> is a body to the **Ministry of Labour and Social Policy**. The agency has 28 regional directorates and exercises complete control over the observance of labour laws under the Labour Code, including the area of undeclared work.
2. **National Social Security Institute** (*Национален Осигурителен Институт*), [www.noi.bg](http://www.noi.bg), is a public organisation which, on the basis of the Social Security Code, guarantees citizens' right to pensions and benefits. It gathers obligatory social, pension and health insurance income. **The National Social Security Institute** and, since 2007, the **National Revenue Agency** (*Национална агенция за приходите*) collect all information concerning the minimum social insurance thresholds and registration of employment contracts, which has direct bearing upon detecting and preventing undeclared work in the country.
3. **National Revenue Agency** (*Национална агенция по приходите*), [www.nap.bg](http://www.nap.bg), is a specialised government body with the Minister of Finance for establishing, securing and collection of public receivables. The agency collects the amount on entered into force acts of the bodies of the agency from unpaid and/or undeclared tax liabilities, insurance instalments for the state social and health insurance penalties and propriety sanctions and the interests due. The agency services tax payers, insurers, insured and self insured persons, providing the necessary information, explanations of their rights and obligations.

### B. Cross-agency cooperation on strategy, operations and/or data sharing

The Minister of Finance issues instructions for the order for provision of the current exchange of information between the agency, the ministries, the National Insurance Institute, of the National Health Insurance Fund, the Executive Agency 'General Labour Inspectorate' and the municipalities.

On 29 September 2010, labour inspection and the tax authorities agreed on joining forces combating undeclared work.

### C. Existing cross-national cooperations on undeclared work

Bulgaria has signed numerous **bilateral agreements** on cooperation in the field of the regulations and Directive 96/71/EC Posting of Workers Directive, **concerning the posting of workers in the framework of the provision of services**. These agreements aim at reaching a good balance between the need to ensure, on the one hand, freedom of movement, which is a fundamental right, and the necessity to tackle social dumping and control illegal employment and undeclared work. Among them are those with:

- With **France** – signed May 2008, based on checks for regular implementation of Directive 96/71 but also includes control over cases of abuses of the posting regime under Regulation 1408/71;
- With **Germany** – signed 12 November 2008, based on cooperation aimed at investigating and mutual informing about cases of abuse of both the Posting Directive and the regulation;
- With the **Netherlands** – signed on 19 November 2008, based on cooperation concerning the combating of illegal work, the enforcement of the rules on employment in case of cross-border labour and services, and the enforcement of social security regulations;
- With **Belgium** – still in process of negotiating, based on cooperation aimed at investigating and mutual informing about cases of abuse of both the Posting Directive and the regulation;<sup>99</sup>
- On 30 September 2010 Bulgaria signed an agreement with **Greece** and **Romania** to join forces in the struggle against UDW.

In the border regions Bulgarian, Greek and Romanian trade unions work together in Regional Industrial Councils countering UDW.

Moreover, Bulgaria participates in the **Union Network International – Europa** (UNI – Europa) and in the **Confederation of European Security Services** (CoESS).<sup>100</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>101</sup>

The country has also signed **bilateral agreements on labour migration** with the governments of Germany, the Czech Republic, Portugal and Spain, which seek to limit undeclared work by Bulgarians abroad. At present, immigrants to Bulgaria are not a factor in the development of undeclared work in the country. Some trade union initiatives have recently been launched and developed in collaboration with partner organisations in

---

<sup>99</sup>Website TRESS, presentation of the Training and Reporting on European Social Security.

<sup>100</sup> Website of the Confederation of European Security Services (CoESS).

<sup>101</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

neighbouring countries (e.g. trade union centres in Greece and Turkey) in order to regulate cross-border employment and limit 'social dumping'.<sup>102</sup>

An active cooperation exists between the Bulgarian **General Labour Inspectorate** and the **Gangmasters Licensing Authority**. An agreement was reached between Bulgaria and the UK during a meeting held in January 2009 and initiated by the British Embassy in Bulgaria. The need for such an agreement was proposed following incidents investigated by the Gangmasters Licensing Authority when Bulgarian seasonal workers in the agriculture sector reported that they were exploited in the UK. The incidents also involved cases of violation of legislation by Bulgarian intermediary companies and Bulgarian and British employers.<sup>103</sup>

Another agreement signed by Bulgaria is the one from 2008 between Bulgaria and the **Netherlands** for cooperation **against illegal labour**, evasion of minimum wage regulations and abuse of social security. The agreement was signed by the Dutch ambassador in Bulgaria and the Ministers of Social Affairs and Finance of Bulgaria. The cooperation consists of improved exchange of information, appointment of contact persons, joint risk analyses, comparison of files and temporary exchange of officials. This gives both the Netherlands and Bulgaria better insight into cross-border movements of workers. The cooperation allows the Netherlands to better tackle abuses on the labour market to which Bulgarian workers fall victim.<sup>104</sup>

The **Bulgarian General Labour Inspectorate** initiated the establishment of a **Regional Alliance of the Labour Inspectorates in South Eastern Europe and Ukraine**, based on detailed analysis, with a view to the realisation of International Labour Office's (ILO) and the International Association of Labour Inspection's (IALI) objective to achieve safe and decent standards of work in every country, globally. Being the first country to introduce the integrated labour inspection in South Eastern Europe with ILO support and having accumulated valuable experience in the years immediately preceding and following its accession to the European Union, Bulgaria is ready now to share its expertise with the other countries in the region and help them strengthen and develop the capacities of their administrations to set up modern Occupational Safety and Health (OS&H) systems.<sup>105</sup>

## D. Measures to tackle undeclared work

In the transition period after 1990, Bulgaria's informal economy increased to such an extent that it began to threaten the stability of the country's social security and taxation systems. Moreover, it became a serious problem for legal companies, creating unfair competition and also a problem for the state, as it distorted the real economic picture and statistics in this

---

<sup>102</sup>EIROOnline (European Industrial Relations Observatory Online) Document from 06/2004; thematic feature – industrial relations and undeclared work.

<sup>103</sup>The Gangmasters Licensing Authority (GLA) (2009).

<sup>104</sup>Website of the Ministry of Social Affairs and Employment (SZW) of the Netherlands, The Netherlands and Bulgaria to fight illegal labour.

<sup>105</sup>Regional Alliance of the Labour Inspectorates in Southeast Europe and Ukraine – the Bulgarian Initiative, by Galab Donev, Executive Director, General Labour Inspectorate Executive Agency, Bulgaria.

respect. After gradually decreasing pension social security contributions, the government introduced a 10% flat tax on people's incomes from the beginning of 2008. One of the aims of this measure was to highlight the considerable extent of business and labour incomes. In parallel with these revenue stimulating tools, the government sought to combat undeclared work through an extensive information campaign and the implementation of controls and sanctions. The 'work legally' campaign is led by the **Ministry of Labour and Social Policy** (*Министерство на труда и социалната политика* – MLSP), although the controls are implemented by the country's General Labour Inspectorate; if necessary, the tax and financial authorities may also play a role. These changes in the legislative arena seek to increase the penalties and sanctions imposed on those who violate the regulations. More specifically, employers that hire workers without an employment contract are liable to a penalty of BGN 15,000 (about €7,670) per worker. This penalty has increased substantially from the previous amount of BGN 1,000 (€511). Moreover, labour inspectors have the right to temporarily stop the activity of the offending companies. The Labour Inspectorate and its territorial departments have the right, on their own initiative or following a complaint made by workers, trade unions or members of the public, to inspect the companies at any time of the day or night.

#### **'Come into the light' initiative<sup>106</sup>**

In 2007, two of the largest representative employer organisations in Bulgaria, with the help of eight national media outlets, united their efforts to bring to light the undeclared or 'grey' economy. A special website was set up and – through joint initiatives, publications and information – the employers are trying to provoke a wide public debate in order to overcome the existing problems. The initiative is supported by the state institutions and trade unions<sup>107</sup>. The founders and main actors of the initiative 'Come into the light' (*Инициатива 'Излез на светло'*) comprise two of the largest employer organisations: the **Bulgarian Industrial Association** (BIA) and the **Bulgarian Industrial Capital Association** (BICA). They also include eight media outlets: Bulgarian National Television, Private National Television, Bulgarian Television (bTV) and Nova Television, Bulgarian National Radio, the private national Darik Radio, and the national daily newspapers *Trud*, *24 Chasa* (24 hours) and *Sega*.

#### **'Work legally' campaign<sup>108</sup>**

The 'work legally' campaign was initiated in 2008 by the government. Prior to this, the fight against the informal economy and undeclared work was supported by all central employer organisations and trade unions at a number of seminars and workshops. The initiative has been implemented in two main ways: through an information campaign and through the monitoring of specific companies. Special attention has been paid to informing workers about the negative effects of undeclared work and to highlighting the sanctions for offending employers. The 'work legally' campaign is led by the **Ministry of Labour and Social**

---

<sup>106</sup> Website Eurofound, Bulgaria.

<sup>107</sup> Website of the Bulgarian 'Come into the light' initiative.

<sup>108</sup> Website Eurofound, Bulgaria.

**Policy**<sup>109</sup>, although the controls are implemented by the country's General Labour Inspectorate; if necessary, the tax and financial authorities may also play a role. In July and August 2008, within the framework of the 'Work legally' campaign, the General Labour Inspectorate carried out a total of 5,100 inspections in about 4,800 companies. About 12% of the companies were inspected during the night and a large proportion of the checks arose following complaints, which were subsequently published on the aforementioned website.

### **Mandatory registration of individual employment contracts and minimum social insurance thresholds**<sup>110</sup>

Mandatory registration of individual employment contracts and minimum social insurance thresholds was introduced by the government in 2003 as a measure to combat the informal economy and lack of sufficient employment insurance in Bulgaria.

Amendments made to the Labour Code at the end of 2002 introduced mandatory registration of employment contracts with **National Social Security Institute**. This measure forced the majority of employers to conclude contracts with their employees, which led to the registration of hundreds of employees previously working in the informal economy who are now included in the formal economy.

Meanwhile, after the changes to the Mandatory Social Security Code and with the State Budget 2003 Act including the NSSI budget, minimum social insurance thresholds were adopted for the individual sectors and branches of the economy and for nine occupational categories.

The initial effect of this initiative was significant although in effect the introduction of minimum social security thresholds points out the incapability of national authorities to properly monitor and collect taxes on actual incomes.

The objectives related to increasing the resources in the social security insurance funds have been achieved in terms of a reduction of the practice of employers paying social insurance contributions on the basis of the national minimum wage, and a reduction in the number of workers without employment contracts. However, in sectors such as construction, tourism and hotels, restaurants and catering in particular, the insufficient social insurance contributions are still prevalent. For example, if in 2008 a minimum social insurance income of BGN 530 (about €270 as at 21 January 2009) was negotiated for qualified workers in the construction sector, it is well known that their real pay was between BGN 1,000 (€510) and 1,200 (€612). Fears have arisen, including on the part of the International Monetary Fund (IMF), that employers will not be able to manage to determine the basic economic activity and that it will be difficult to classify employees according to occupational groups.

### **Flat tax on personal incomes as a way to simplify the tax system and increase compliance rates (2008)**

Bulgaria's Parliament adopted amendments to the taxation law that introduced a flat tax of 10% from January 2008. The country's flat tax rate is among the lowest in Europe and the world. According to a parliamentary hearing held in December 2008 the introduction of the flat tax has not resulted in the expected increase of social security and income revenues.

---

<sup>109</sup> Website of the Ministry of Labour and Social Policy.

<sup>110</sup> Website Eurofound, Bulgaria.



### **Pact for Social and Economic Development (2006)**

The Pact, endorsed by the Government of Bulgaria, two of the largest Bulgarian trade union confederations and employers' organisations, outlines measures to fight gray economy, corruption and organised crime. The founders and main actors of the initiative 'Come into the light' (*Инициатива 'Излез на светло'*) comprise two of the largest employer organisations: the **Bulgarian Industrial Association** (BIA) and the **Bulgarian Industrial Capital Association** (BICA). They also include eight media outlets: Bulgarian National Television, Private National Television, Bulgarian Television (bTV) and Nova Television, Bulgarian National Radio, the private national Darik Radio, and the national daily newspapers *Trud*, *24 Chasa* (24 hours) and *Sega*. Measures include: increasing controlling mechanisms (tax, customs and fiscal); increasing fines for businesses not abiding by the law; increasing control and punishment of companies breaching the laws; capturing a wider share of socially secured persons, including agrarian and tobacco producers, etc. No results have been reported on the pact.

### **Establishment of Hidden Economy Monitoring System**

The Centre for the Study of Democracy has established in 2002 a Hidden Economy Monitoring System. The hidden economy indexes are the basic output of the Monitoring of the Size and Dynamics of the Hidden Economy in Bulgaria. They are based on data from national representative population and business surveys and track the dynamics of hidden economy and different aspects of it in the Bulgarian economy. The Hidden Economy Monitoring System has been used by the **National Revenue Agency** and the **General Labour Inspectorate**.<sup>111</sup>

### **References**

- EIROOnline (European Industrial Relations Observatory Online) Document from 06/2004; thematic feature – industrial relations and undeclared work  
<http://www.eurofound.europa.eu/eiro/2004/06/tfeature/BG0406202T.htm>
- Eurofound,  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry3.htm>  
[http://www.gla.gov.uk/embedded\\_object.asp?id=1013469](http://www.gla.gov.uk/embedded_object.asp?id=1013469)
- Website TRESS, presentation of the Training and Reporting on European Social Security, <http://www.tress-network.org/TRESSNEW/>
- Regional Alliance of the Labour Inspectorates in Southeast Europe and Ukraine – the Bulgarian Initiative, by Galab Donev, Executive Director, General Labour Inspectorate Executive Agency, Bulgaria, [http://www.iali-aiit.org/iali/event\\_docs/Conference\\_geneva/SESSION%20%20IALI%20ACTIVE%20IN%20REGIONS/4.4%20REGIONAL%20ALLIANCE%20OF%20THE%20LABOUR%20INSPECTORATES,%20THE%20BULGARIAN%20INITIATIVE/Galab%20Donev%20Abstract.pdf](http://www.iali-aiit.org/iali/event_docs/Conference_geneva/SESSION%20%20IALI%20ACTIVE%20IN%20REGIONS/4.4%20REGIONAL%20ALLIANCE%20OF%20THE%20LABOUR%20INSPECTORATES,%20THE%20BULGARIAN%20INITIATIVE/Galab%20Donev%20Abstract.pdf)
- The Gangmasters Licensing Authority (GLA) (2009) *A government agency set up to protect workers from exploitation in agriculture, horticulture, shellfish gathering and food processing and packaging*. [http://www.gla.gov.uk/embedded\\_object.asp?id=1013469](http://www.gla.gov.uk/embedded_object.asp?id=1013469)
- Website of the Bulgarian 'Come into the light' initiative: [www.nasvetlo.net](http://www.nasvetlo.net)
- Website of the Centre for the Study of Democracy: <http://www.csd.bg/?id=118>

<sup>111</sup> For more information, see the website of the Centre for the Study of Democracy: <http://www.csd.bg/?id=118>.

- Website of the General Labour Inspectorate Executive Agency, <http://www.gli.government.bg/>
- Website of the Bulgarian Ministry of Labour and Social Policy: [www.mlsp.government.bg](http://www.mlsp.government.bg)
- Website of the Ministry of Social Affairs and Employment (SZW) of the Netherlands, The Netherlands and Bulgaria to fight illegal labour: [http://english.szw.nl/index.cfm?menu\\_item\\_id=14638&hoofdmenu\\_item\\_id=14632&rubriek\\_item=392435&rubriek\\_id=391971&set\\_id=3605&doctype\\_id=5,123&link\\_id=156535](http://english.szw.nl/index.cfm?menu_item_id=14638&hoofdmenu_item_id=14632&rubriek_item=392435&rubriek_id=391971&set_id=3605&doctype_id=5,123&link_id=156535)
- Website of the Bulgarian National Revenue Agency (NRA), [www.nap.bg](http://www.nap.bg)
- Website of the Bulgarian National Social Security Institute (NSSI), [www.noi.bg](http://www.noi.bg)

## CYPRUS

### A. Departments/agencies responsible for tackling undeclared work

**The Ministry of Labour and Social Insurance** (MLSI) is the main state agency for labour and social policy and its functions cover social protection, employment, industrial training, labour relations, terms and conditions of employment and safety and health at the work place. According to the Ministry of Labour and Social Insurance, although the phenomenon of undeclared work and illegal employment has been discussed for a long time, the ministry has not yet devised a unified method for handling cases of undeclared or illegal work.<sup>112</sup> One difficulty is the fact that the departments and services involved follow different internal procedures, which fail to deal effectively with the problem. Thus, the phenomenon of unfair competition has been exacerbated among employers: that is, between those that make use of illegal work, mainly involving migrant workers, thus violating labour legislation, and the employers that comply with the provisions of the existing statutory framework.

#### **Departments at the Ministry of Labour and Social Insurance:**

- **Department of Labour Relations**<sup>113</sup>; The Department of Labour Relations of the Ministry of Labour and Social Insurance is responsible for implementing the Government's policy in the area of industrial relations. It is responsible for the enforcement, monitoring and inspection of the application of the harmonised labour legislation and the enforcement of the Trade Union Laws, including the registration and supervision of employees and employers organisations. In relation to the country's need to strengthen the inspection mechanisms, related to undeclared work, **The Ministry of Labour and Social Insurance** notes that its Department of Labour Relations has 13 inspectors at present, and the possibility of appointing another 13 inspectors to the department's social insurance services is being examined;
- **Social Insurance Services Department.** The department carries out at regular intervals controls and inspections throughout the country, including on UDW.

Public Works Department at the Ministry of Communications and Works is also involved in the work of the Tripartite committee to combat undeclared work in construction sector.

<sup>112</sup> Website Eurofound, Cyprus.

<sup>113</sup> Website of the Department of Labour Relations at the Ministry of Labour and Social Insurance.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The Tripartite committee to combat undeclared work in construction sector governs cooperation between the Ministry of Labour and Social Insurance (Social Insurance Services and the Department of Labour Relations), the Ministry of Communications and Works, (Public Works Department), Social Insurance Services, Labour Federations and Trade Unions.

Furthermore, the department of Inland Revenue – Direct Tax/PAYE, has its role in detecting and tackling income, deriving from undeclared work.

## **C. Existing cross-national cooperations on undeclared work**

Cyprus participates in the **Union Network International – Europa** (UNI – Europa).<sup>114</sup> UNI Europa is a European trade union federation. It unites trade unions organising in services and skills sectors in 50 different countries. With over 320 affiliated trade union organisations, UNI Europa represents 7 million workers. European integration and globalisation means that trade unions can no longer be effective if they work solely at national or local level. In order to win better conditions for their members, unions representing workers in specific industries have to act together across Europe and internationally. In 2008 UNI signed a Memorandum of Understanding with the International Confederation of Private Employment Agencies (CIETT) that has set up a partnership to promote areas of common concern, including social dialogue on issues for temporary workers, protecting the rights of migrant workers and combating undeclared employment.

Cyprus takes part in the **Commonwealth Association of Tax Administration (CATA)** since 1978. The purpose of the Association is to promote the improvement of tax administration in all its aspects within the Commonwealth with particular emphasis on developing countries.<sup>115</sup> The Commonwealth Association of Tax Administrators analyses the phenomenon of informal economy and undeclared work and in 2006 published the report: *Tax evasion and avoidance: Strategies and initiatives for tax administrators*, London, Commonwealth Association of Tax Administrators, 2006.

## **D. Measures to tackle undeclared work**

From a legislative perspective, Cyprus has no special statutory framework directly referring to the definition and regulation of undeclared work. Moreover, given that the employment of foreign workers is closely linked to the phenomenon of undeclared work, another significant shortcoming is the absence of an integrated statutory framework for migration policy. In this context, the main objective of the **Ministry of Labour and Social Insurance** is to adopt

---

<sup>114</sup>Website Union Network International – Europa (UNI – Europa).

<sup>115</sup> The Commonwealth Association of Tax Administrators.

supplementary legislation mainly aiming to combat the illegal employment of migrant workers.

### **Tripartite committee to combat undeclared work in construction sector**<sup>116</sup>

In April 2007, a special technical committee for tripartite representation was set up, with the aim of finding ways to combat undeclared work in the construction sector. Undeclared work tends to affect vulnerable groups of workers, such as migrants and Turkish Cypriots. The initiative includes increased inspection activity, particularly with regard to public works. The government side is represented on the committee by the **Ministry of Labour and Social Insurance**, through the **Social Insurance Services and the Department of Labour Relations**. It is also represented by the **Ministry of Communications and Works**, through the Public Works Department. The workers' side is represented by the following trade unions: the **Democratic Labour Federation of Cyprus**, the **Cyprus Building, Wood, Mine and General Workers' Trade Union**, affiliated to the **Pancyprian Federation of Labour**, and the **Federation of Builders, Miners and Relevant Professions**, affiliated to the **Cyprus Workers' Confederation**. The employer side is represented by the Federation of Building Contractors Associations of Cyprus, affiliated to the Employers and Industrialists Federation.

Detailed lists were drawn up of all the government construction works in progress. These lists were sent to the district offices so that inspections could be scheduled. In addition, by decision of the committee, a letter was sent to the Union of Cyprus Municipalities recommending that contracts for the construction of public works be observed by all municipalities in the country. A similar letter was sent to all the general directors of ministries that enter into contracts for the construction of public building works. As part of this action, targeted inspections have been carried out on public sector building works – where feasible on the basis of worksite notifications – by a joint group consisting of inspectors from the Department of Labour Relations, the Social Insurance Services and the Department of Labour Inspection.

It should be noted that, apart from public works, at regular intervals, the Social Insurance Services department carries out controls in the construction sector as a whole throughout the country. The committee's second initiative concerned the issue of the failure of certain Turkish Cypriots who come to work in the Greek Cypriot area to pay social insurance contributions; some of these workers declare themselves to be self-employed and others state that they are employers acting as contractors on building sites. As a result, they are not registered in the Social Insurance Scheme and do not comply with the provisions of the existing legislation regarding social insurance. With a view to finding ways to combat undeclared work by Turkish Cypriot workers, inspectors from the Social Insurance Services also visited the Agios Dometios checkpoint near the capital city of Nicosia (*Lefkosia*) in order to observe which data are recorded when Turkish Cypriots enter the Greek Cypriot areas.

### **Decrease of taxable income**<sup>117</sup>

In 2004, the marginal tax rate became zero for taxable income up to CYP 10,000 (EUR 17,076), 20% between CYP 10,001 - 15,000 (EUR 17,077 - 25,615), 25% between 15,001 - 20,000 (EUR 25,615 - 34,153) and 30% above CYP 20,000 (34,200 euro). The 2004

---

<sup>116</sup> Website Eurofound, Cyprus.

<sup>117</sup> European Employment Observatory Review (2004).

changes reduced the marginal tax rate on incomes between CYP 12,001 and 15,000 (20,500 euro and 25,700 euro) significantly, thus reducing the incentive to underreport labour contracts. On the other hand, the VAT rate increased to 15% from substantially lower levels in recent years. It was also extended, on 1 May 2004, to a number of goods that were formerly either not taxed or taxed at lower rates. These increases are likely to work in the opposite direction, increasing the tendency for undeclared work. There are no evidences of the results from the implementation of the new tax structure on undeclared work. Penalties for fraudulent declarations and the extent to which monitoring and spot checks are done, appear modest.

### References

- Eurofound, Cyprus <http://www.eurofound.europa.eu/eiro/2009/01/articles/cy0901039i.htm>
- European Employment Observatory Review, Autumn 2004.
- The Commonwealth Association of Tax Administrators: <http://www.catatax.org/resources/our-mission>
- Union Network International – Europa (UNI – Europa): [http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Department of Labour Relations at the Ministry of Labour and Social Insurance [http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/dmlindex\\_en/dmlindex\\_en?OpenDocument](http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/dmlindex_en/dmlindex_en?OpenDocument)

## CZECH REPUBLIC

### A. Departments/agencies responsible for tackling undeclared work

**Ministry of Labour and Social Affairs.** The Ministry of Labour and Social Affairs is responsible for social policy (e.g. people with disabilities, social services, social benefits, family policy), social security (e.g. pensions, sickness insurance), employment (e.g. labour market, employment support, employment of foreigners), labour legislation, occupational safety and health, equal opportunities of women and men, migration and integration of foreigners, European Social Fund and other social or labour related issues. The Ministry of Labour and Social Affairs provides methodological guidance for Labour Offices, Czech Social Security Administration, State Labour Inspection Office, Regional Labour Inspectorates and for the Office for International Legal Protection of Children. The Ministry of Labour and Social Affairs supervises three Government-funded organisations: the Research Institute for Labour and Social Affairs, the Institute for Occupational Safety Education and the Occupational Safety Research Institute. The Ministry currently employs approximately 18,000 members of staff.

**State Labour Inspection Office**<sup>118</sup> (*Státní úřad inspekce práce – SÚIP*). In 2005, the control of illegal employment by domestic citizens, that is, work without a contract between an employer and employee, was assigned to the State Labour Inspection Office.

---

<sup>118</sup> Website of the Czech State Labour Inspection Office.

Several institutions deal with the mechanisms of controlling the residence and work of foreigners in the Czech labour market: the **Ministry of the Interior of the Czech Republic** (*Ministerstvo vnitra České republiky – MV ČR*<sup>119</sup>), the **Ministry of Labour and Social Affairs of the Czech Republic** (*Ministerstvo práce a sociálních věcí České Republiky – MPSV ČR*<sup>120</sup>) through its labour offices, and the Foreign and Border Police (*Cizinecká policie*).

**Multi-ministerial body to combat illegal employment of foreign workers.**<sup>121</sup> The Multi-ministerial Body for Combating the Illegal Employment of Foreign Workers is a government body which was established in 2000, bringing together representatives of the government, social partners and of private and research institutions that deal with the issue of (illegal) foreign workers. The body's tasks include monitoring of illegal employment of foreign workers, making legislative recommendations, coordinating control operations of various authorities and proposing preventive measures.

**Labour offices.** According to the Act on Employment No. 435/2004 the labour offices are authorised to demand that a person in the workplace presents an identity document and a document attesting to the labour law relationship or other contract with the employer. In addition, customs offices can demand that foreign workers present the same documents as well as a work permit from the labour office. Stricter rules on the employment of foreign workers were also introduced with the Act on Employment. The labour offices perform control checks on illegal employment of foreign workers. Even though the detected cases of illegal employment are just the 'tip of the iceberg' with regard to undeclared work, the number of irregularities identified has been rising since 2004.<sup>122</sup>

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

In the Czech Republic, the issue of the illegal employment of foreign workers has traditionally received more attention than illegal work by domestic workers. Foreigner workers are often involved in the informal economy. Several institutions have powers to regulate and control the residence and employment of foreign nationals in the Czech Republic – such as the Ministry of the Interior of the Czech Republic (*Ministerstvo vnitra České republiky – MV ČR*), the Ministry of Labour and Social Affairs of the Czech Republic (*Ministerstvo práce a sociálních věcí České Republiky – MPSV ČR*) through its labour offices, and the Foreign and Border Police (*Cizinecká policie*). There are indications, however, that cooperation between them is not fully effective in controlling the residence and work of foreigners in the Czech labour market.

The **Multi-ministerial Body for Combating the Illegal Employment of Foreign Workers** was founded as a bottom-up initiative by the heads of government ministries after the

---

<sup>119</sup> Website of the Ministry of the Interior of the Czech Republic.

<sup>120</sup> Website of the Ministry of Labour and Social Affairs of the Czech Republic.

<sup>121</sup> Website Eurofound, Czech Republic.

<sup>122</sup> Website Eurofound, Czech Republic.

Ministry of Labour and Social Affairs of the Czech Republic, which deals with the issue of foreign workers, identified the need for close cooperation with the Ministry of the Interior of the Czech Republic, which is the authority responsible for defining the barriers restricting migration policy. The composition of the body was inspired by a similar cooperative model that already existed in France (DILTI). The body's members comprise representatives of the Ministry of Labour and Social Affairs of the Czech Republic, the **Ministry of Finance of the Czech Republic** (*Ministerstvo financí České republiky – MF ČR*), the **Ministry of the Interior** of the Czech Republic, the **Ministry of Industry and Trade of the Czech Republic** (*Ministerstvo průmyslu a obchodu České republiky – MPO ČR*), the **Security Information Service** (*Bezpečnostní informanční služba – BIS*), the **Directorate of the Foreign and Border Police** (*Ředitelství služby cizinecké a pohraniční policie ČR*), the **Ministry of Foreign Affairs of the Czech Republic** (*Ministerstvo zahraničních věcí České republiky – MZV ČR*), the **Czech Customs Administration** (*Generální ředitelství cel České republiky*) and the **Czech Statistical Office** (*Český statistický úřad – ČZSO*). It also comprises representatives from the social partner organisations the **Czech-Moravian Confederation of Trade Unions** (*Českomoravská konfederace odborových svazů – ČMKOS*), the **Confederation of Industry** (*Svaz průmyslu a dopravy České republiky – SPD ČR*) and the **Association of Building Entrepreneurs of the Czech Republic** (*Svaz podnikatelů ve stavebnictví v České republice – SPS ČR*). The body's members also include representatives from the labour offices, and other trade union and employer organisations, along with research specialists from Charles University in Prague (*Univerzita Karlova v Praze*) and the Research Institute for Labour and Social Affairs (*Výzkumný ústav práce a sociálních věcí – VÚSVP*).

The 'Assistance system for the employment of Ukrainian citizens in the Czech Republic' (*Asistenční systém zaměstnávání občanů Ukrajiny v ČR*) was implemented with the support of the **Ministry of the Interior** and the **Ministry of Labour and Social Affairs**.

The Czech Ministry of Labour and Social Affairs in cooperation with the Czech Ministry of Foreign Affairs and the Czech Ministry of Interior coordinate a **project for legal migration**.<sup>123</sup> Citizens of 51 countries can apply for legal employment in the Czech Republic. The Czech Ministry of Labour and Social Affairs and the Ministry of Interior also coordinate an **initiative for Integration of Foreigners in the Czech Republic**.<sup>124</sup> It informs about legal employment opportunities, the legislation, the Czech Labour Code, etc.

### C. Existing cross-national cooperations on undeclared work

The Czech Republic participates in the **Union Network International – Europa** (UNI – Europa)<sup>125</sup> and in the **Confederation of European Security Services** (CoESS).<sup>126</sup> These two organisations have presented their joint position against undeclared work in the private

<sup>123</sup> Website of the Czech Ministry of Interior and the project for legal migration.

<sup>124</sup> Website of the Initiative for Integration of Foreigners in the Czech Republic.

<sup>125</sup> Website Union Network International – Europa (UNI – Europa).

<sup>126</sup> Website of the Confederation of European Security Services (CoESS) - <http://www.coess.org/about.htm>.

security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>127</sup>

It is also a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>128</sup> along with Portugal, Spain, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>129</sup>

The Czech Republic has signed a bilateral agreement on labour migration with the government of Bulgaria, which seeks to limit undeclared work by Bulgarians abroad.<sup>130</sup> In 2007 the Czech Republic and the Netherlands signed an agreement on combating cross-border social security fraud. The document contains agreements on combating illegal labour and working without paying taxes and social security contributions. It also makes it easier for the Netherlands to check on misuse of welfare benefits. If required, the Czech Republic will for instance provide data on assets owned in that country by benefit claimants.<sup>131</sup>

## D. Measures to tackle undeclared work

### **System to improve access to employment for Ukrainian citizens**<sup>132</sup>

The presence of Ukrainian citizens in the Czech labour market is often associated with undeclared work. They come to the Czech Republic through a 'client system', by which migration and work is brokered for them quickly and easily, but also on the fringes of the law, which often results in their exploitation. The project sought to offer potential immigrants information, a comprehensive migration service and work through legal channels. The 'Assistance system for the employment of Ukrainian citizens in the Czech Republic' (*Asistenční systém zaměstnávání občanů Ukrajiny v ČR*) was implemented with the support of the Ministry of the Interior and the Ministry of Labour and Social Affairs.

---

<sup>127</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

<sup>128</sup> The European Confederation of Private Employment Agencies (Eurociett).

<sup>129</sup> The agency work industry around the world.

<sup>130</sup> EIROnline (European Industrial Relations Observatory Online) Document from 06/2004; thematic feature – industrial relations and undeclared work.

<sup>131</sup> Ministry of Social Affairs and Employment of the Netherlands.

<sup>132</sup> Website Eurofound, Czech Republic.



### **Employment Act and the fight against illegal labour**<sup>133</sup>

In the Czech Republic, the first political steps against illegal employment were not taken until the start of this century. The 2004 Act on employment established a definition of illegal labour in Czech law and strengthened control mechanisms in this area. Prohibiting illegal employment and introducing penalties for offenders was certainly a step in the right direction in an effort to restrict this phenomenon. However, detecting illegal employment and enforcing the law in cases of undeclared work are still highly problematic in practice.

In 2002, the government's programme declaration included a drive to combat tax evasion and illegal employment. In 2004, the government issued a 'Report on certain measures being applied and prepared to restrict the grey economy' (*Zpráva o uplatňovaných a připravovaných některých opatření k omezení šedé ekonomiky*). Moreover, transforming illegal labour into regular employment became one of the goals of the National Employment Action Plan for 2004 – 2006 (*Národní akční plán zaměstnanosti na léta 2004 – 2006*). Currently under the labour legislation:

- Partial employment is allowed.<sup>134</sup> People have the right to extra earnings even if they draw unemployment support, although these may not exceed half the minimum wage and take up more than 20 hours a week. The extra earnings are a way in which people retain working habits and don't lose the incentive to work. The legalisation of extra earnings reduces illegal work, and thereby is believed to have a positive effect on tax revenue, insurance and occupational safety.
- There are penalties for undeclared work, which has the status of illegal work. Illegal work is performed by anyone who works for a legal entity or natural person without an employment relationship or other similar contract and is not a spouse or child of the natural person for whom she works, or a member or partner of the juridical person entity. Foreigners further need a valid work permit, if this is required under the Employment Act. Definition of offences and penalty levels are stated in Section 139 of the Employment Act. For example: If a citizen of the Czech Republic or a foreigner performs illegal work, s/he shall face a penalty of up to CZK 10 000. If an employer provides a citizen of the Czech Republic or a foreigner with illegal work, s/he shall face a penalty of up to CZK 2 000 000.

### **References**

- EIROOnline (European Industrial Relations Observatory Online) Document from 06/2004; thematic feature – industrial relations and undeclared work:  
<http://www.eurofound.europa.eu/eiro/2004/06/tfeature/BG0406202T.htm>
- Eurofound,  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry5.htm>
- Eurofound,  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/cz003.htm>
- [http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Ministry of Social Affairs and Employment of the Netherlands:  
[http://english.szw.nl/index.cfm?menu\\_item\\_id=14638&hoofdmenu\\_item\\_id=14632&rubriek\\_item=392435&rubriek\\_id=391971&set\\_id=3608&doctype\\_id=5,123&link\\_id=131279](http://english.szw.nl/index.cfm?menu_item_id=14638&hoofdmenu_item_id=14632&rubriek_item=392435&rubriek_id=391971&set_id=3608&doctype_id=5,123&link_id=131279)

---

<sup>133</sup> Idem.

<sup>134</sup> For more information see the website of the Czech Ministry of Labour and Social Affairs.

- The European Confederation of Private Employment Agencies (Eurociett): <http://www.euro-ciett.org/index.php?id=75>
- Union Network International – Europa (UNI – Europa):
- Website of the Czech Ministry of Interior and the project for legal migration: <http://www.imigracecz.org/?lang=en&article=home>
- Website of the Czech Ministry of Labour and Social Affairs: <http://www.mpsv.cz/en/1604>
- Website of the Czech State Labour Inspection Office: <http://www.suip.cz/default/drvisapi.dll?MIval=/www/index.html>
- Website of the Initiative for Integration of Foreigners in the Czech Republic: <http://www.cizinci.cz/news.php?lg=1>
- Website of the Ministry of Labour and Social Affairs of the Czech Republic: <http://www.mpsv.cz/en/>
- Website of the Ministry of the Interior of the Czech Republic: <http://www.mvcr.cz/>

## DENMARK

### A. Departments/agencies responsible for tackling undeclared work

The main forms of undeclared work appear to be personal services to families, friends and colleagues, and in work in restaurants, retail, cleaning, construction, agriculture and horticulture. Illegal work performed by immigrants without work permits has been subject to debate stimulated by the enlargement of the European Union and the immigration from the new Member States.

Undeclared workers include students (in all sectors, but especially in restaurants), and migrant workers from Turkey, the Middle East, Pakistan and Somalia (often in retail, cleaning and catering) or from the new EU Member States in Central and Eastern Europe (notably in construction and agriculture). Undeclared work represented a peak of some 3.8% of Danish GDP in 2001, although this figure fluctuated over time (European Foundation 2004) and is lower than the figure of 5.5 per cent for Denmark in Renooy et al (2004: 29). The main agencies involved in control are the **Tax Inspectorate and the Labour Inspectorate**, although the cooperation of social partners has also been important especially in the construction sector.

### B. Cross-agency cooperation on strategy and operations

In 2004, the government launched an inspection campaign against undeclared work in restaurants and pizzerias, kiosks, taxi-driving, agriculture and gardening, markets, nightclubs, newspaper distribution, massage parlours and bakeries. The campaign involved a partnership between different ministries and public authorities, with the social partners and trade associations also participating. Over one in ten workers were found to be 'first day workers'. Following this, new government measures were introduced to ensure that all

employees must be registered with the relevant authorities from their first working day, while a nationwide campaign focussed on 'criminalising' undeclared work (European Foundation 2004). Currently, outcomes of the individual raids are made public on the website of the Ministry of Taxation.

The present strategies towards undeclared work are: 1) stronger control measures, 2) campaigns to change the attitude towards tax evasion through undeclared work and 3) legislative reforms to make it easier to detect and punish undeclared work. The action plan has the general motto: 'Fair play' (see <http://www.fairplay-skat.dk/?newwindow=true>) (European Employment Observatory 2007: 7). The campaign has been particularly directed to young people, as well as immigrants, shop owners and workers on construction sites, as well as persons in other economic sectors where undeclared work is prevalent (European Foundation 2009a). The campaign is spearheaded by the Ministry of Taxation, with the participation of the tax authorities (**SKAT**), the Ministry of Employment (*Beskæftigelsesministeriet*), the labour inspectorate and the police. The social partner organisations also took part in at least one campaign initiative. A special taskforce has been set up under the **National Directorate of Labour** (*Arbejdsdirektoratet*) (European Foundation 2009b).

A recent initiative, launched in April 2008, is the so-called '**immediate activity offer option**' (*straksaktivering*). If the authorities detect that a person working for an employer also receives cash payments or unemployment benefit, they can force the person to accept a job or activity offer. One of the first projects was a commercial campaign where professional, well-known athletes and football players spoke about fair play: 'Without fair play it does not work.' A further measure that is currently being used as part of the strategy to combat undeclared work is to notify companies that, in the near future, a particular economic sector in a specific region can expect visits from the tax authorities. A number of new construction sites in a certain area would be a typical example. Other fields of economic activity considered as high priority in this regard are hotels and restaurants, pizzerias, bakeries, kiosk retail outlets, security activities and temporary agency work. Sectors and regions due for inspection are listed on the tax authorities' website. Posters on buses and television commercials, as well as free humorous 'go-cards' in bars and cafés, are general provisions aiming to raise awareness that undeclared work is not acceptable. The message is that it is not merely civil disobedience to perform undeclared work for a neighbour; it is tax evasion and punishable by law (European Foundation 2009b).

The fair play programme developed some special control and cooperation initiatives among the social partners, tax authorities, Danish migration service and the police with the aim of reducing illegal work activities of immigrant workers following EU enlargement in 2004. The latter mainly included work without a formal work permit or without paying tax. As labour migration increasingly has appeared in Denmark through foreign service providers and their posted workers, detecting illegality has now a somewhat broadened focus, including the registration of the service providers and their payment of value-added tax (VAT) (European Foundation 2009b).

## C. Existing cross-national cooperations on undeclared work

It is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>135</sup> along with Portugal, Spain, Italy, Slovenia, Greece, the Czech Republic, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Hungary, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.

## D. Measures to tackle undeclared work

Mentioned under B.

### References

- European Foundation (2004) Thematic feature - *industrial relations and undeclared work*, Denmark. European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/eiro/2004/06/tfeature/dk0406102t.htm>
- European Employment Observatory (2007) Article on Undeclared Work, Denmark, from SYSDM Correspondent (Update of EEO Review: Autumn 2004) Denmark, Per Kongshøj Madsen. <http://www.eu-employment-observatory.net/resources/reviews/NationalArticles/DenmarkUDW2007.pdf#>
- European Foundation (2009a) *Information campaign, Denmark*. European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/dk002.htm>
- European Foundation (2009b) *'Fair play campaign, Denmark'*, European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/dk004.htm>
- Renooy, P. et al (2004) *Undeclared work in an enlarged Union*. Final report, European Commission.

## ESTONIA

### A. Departments/agencies responsible for tackling undeclared work

A roundtable meeting on Estonia's widespread problem of undeclared work was held in January 2005. The social partners, public institutions and social security bodies participating

---

<sup>135</sup> Website European Confederation of Private Employment Agencies (Eurociett).

in the meeting signed an agreement of joint activities aiming to decrease the extent of this practice. A distinctive feature of the situation in Estonia has been the ongoing commitment of the social partners to this issue, which resulted in a renewed agreement in 2008 (European Foundation 2009a). Another distinctive feature of the Estonian Labour Inspectorate is their emphasis on outreach and communications strategies with client groups via web, press, hotline for questions (European Foundation 2009b).

While the proportion of employees receiving undeclared wages decreased over the period 2002–2006, it increased again in 2007 up to 14% of workers. Furthermore, as the European Foundation notes ‘a continuing increase might be expected due to the unfavourable economic situation in Estonia’ (European Foundation 2009). The following are the key agencies which are involved in the fight against undeclared work:

- Estonian Tax and Customs Board
- Estonian State Labour Inspectorate
- Labour Market Board
- Citizenship and Migration Board

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

### *Strategy*

In 2005, a cooperation agreement targeting the non-declaration of wages was signed in Estonia between the social partners and several government agencies including the labour inspectorate, the Labour Market Board, and several social security funds. The agreement includes the creation of an inter-organisation information system and several awareness-raising activities and campaigns, such as letters to employers (ILO 2010: 22). The main objective of a more recent information campaign is improving the tax behaviour of persons through raising awareness about the gains from receiving declared wages and the social losses accompanying tax fraud. The Tax and Customs Board aimed to initiate public discussion on the risks related to undeclared income and on the impact of such tax behaviour on society at large.

### *Operations*

Since 2001, joint raids with the Tax Board, Police Board and Employment Office have been carried out to find employees without an employment contract. In 2006, joint inspections were conducted by the Tax and Customs Board, Labour Inspectorate, police, Labour Market Board and Citizenship and Migration Board. The inspection activities are preceded by research to detect areas where possibilities of undeclared work are the highest, based on tax payment data or by comparing the annual turnover with the number of employees (European Foundation 2009a).

### *Data sharing*

Inter-organisational systems of information and control exist under the management of the Unemployment Insurance Fund, to ensure that unemployment insurance benefit is paid only to people who are unemployed and looking for employment. Information exchange takes

place between government agencies including the Tax and Customs Board, the Health Insurance Fund, Labour Market Board and Labour Inspectorate, especially to monitor benefit recipients who have evoked suspicion

### C. Existing cross-national cooperations on undeclared work

In the framework of cooperation between the Baltic Sea countries' tax authorities, the Estonian Tax and Customs Board participates in the working groups covering the issues of taxation, detection and prevention of tax evasion in the forestry, fishery and construction sectors (Estonian Tax and Customs Yearbook 2007: 57). For labour inspectorates, new cross-national objectives at Baltic level recently agreed include organising cooperation on regional level (meetings of regional inspectorates, exchange of inspectors) and organising meetings of experts/specialists representing different fields of activities in one of the Baltic countries on the issues including the prevention of illegal work.

### D. Measures to tackle undeclared work

No information available

#### References

- Estonian Tax and Customs Yearbook (2007) <http://www.emta.ee/index.php?id=14595>
- European Foundation for the Improvement of Living and Working Conditions (2009a) Social partner cooperation agreement, Estonia.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/ee003.htm>
- European Foundation for the Improvement of Living and Working Conditions (2009b) Information campaign on undeclared wages, Estonia.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/ee002.htm>
- ILO (2010) National Workshop on Labour Inspection and Undeclared Work, Budapest, October 2009.

## FINLAND

### A. Departments/agencies responsible for tackling undeclared work

The **Ministry of Finance** is responsible for taxation, the ministry of Social Affairs and Health is in charge of social security and occupational safety and health and the **Ministry of Employment and the Economy** is in charge of fair competition between companies and non discrimination in working life.

In Finland undeclared work has continued to grow especially since EU enlargement in 2004, and despite the implementation of transitional measures. Control measures are deemed to have largely failed in this regard (European Foundation 2009). Estimates of the size of the

informal economy range from below 5% to almost 18% (European Employment Observatory 2009). Problematic sectors in particular are construction (some 10% of labour force are undeclared) and restaurants, but the grey economy is also evident in transport and cleaning activities, shipyards and trade with eastern countries.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

### *Strategy*

The **VIRKE project** for inter-authority cooperation is based on the Government's financial crime prevention programmes. VIRKE is an intensified cooperative undertaking between the Ministry of Finance, the tax authorities, the Police, the Customs, and the recovery administration, the aim of which is to clamp down on the grey economy and white-collar crime.

The objective of the VIRKE project is to:

- combat the underground economy and financial crime by gathering, analysing and distributing information to various authorities on the underground economy and financial crimes;
- maintain an overall picture of financial crime;
- gather information from public authorities and other sources on the impact of financial crime prevention;
- launch initiatives to develop legislation or actions of the authorities;
- develop methods or information systems that can be used to combat financial crime.

Various public authorities, such as the **Tax Administration**, have assigned VIRKE project officials to represent the authority in matters associated with the project. These officials act in their official capacity in this context and are bound by the information exchange and confidentiality regulations relevant to their organisation. The VIRKE project has been running as a temporary project since the beginning of 2000, (Vero Skatt 2007).

### *Operations*

Tax auditors from the Tax Administration and labour protection authorities have been making joint visits to construction sites since the beginning of 2008. During the site visits, the authorities work simultaneously but within the scope of their respective legislation and in their respective roles. Comparative data obtained through stakeholder cooperation and worksite supervision in the construction sector is used to determine whether companies and individuals working at a construction worksite report and pay their taxes on time and in the proper amounts (Vero Skatt 2009).

### *Data sharing*

According to the Tax administration data exchange between EU countries now occurs by means of electronic forms, and international simultaneous control activities have also been improved.

## **C. Existing cross-national cooperations on undeclared work**

In order to combat the underground economy, the Finnish Tax Administration engages in close cooperation with other EU Member States, for instance in the form of simultaneous audits. In 2007, small groups were set up, with the support of the European Commission, to launch simultaneous audits and to develop operations. This has significantly improved Finland's cooperation with neighbouring countries, such as the Baltic Rim countries. Cooperation is particularly smooth with Estonia, and Finland and Estonia have cooperated in several simultaneous audits on the underground economy. On tax, Finland participates in the Nordic treaty. Finland has electronic data exchange on social security issues with Sweden, Norway and Germany.

## **D. Measures to tackle undeclared work**

The effective cooperation and exchange of information between public authorities is a key factor when detecting and combating economic crimes or undeclared work.

The principle measures used in Finland are:

### **1. The Contractors' Liability Act**

The Act on Contractor's Obligations and Liability when Work is Contracted Out promotes equal competition between enterprises and observance of the terms of employment. The new Act on Contractors' Obligation and Liability entered into force in the beginning of the year 2007.

The Act obliges enterprises, concluding contracts on temporary agency work or subcontracted labour with other companies, to ensure that said companies discharge their statutory obligations.

According to the Act, before an orderer concludes a contract, it is obliged to check whether the counterparty is entered in the Prepayment Register and the Employer Register, and is registered as VAT-liable in the Value Added Tax Register. Similarly, the orderer must ascertain whether the counterparty has paid its taxes and taken out pension insurances, as well as the type of collective agreement or principal terms of employment it applies to the work. The same information must also be obtained on foreign companies.

Should an orderer neglect the obligation to check described above, it shall be obliged to pay a fine for negligence. The amount of fine varies between EUR 1 500 and EUR 15 000 depending on the seriousness of violation. Occupational safety authorities were allocated 12 new posts for supervising compliance with the Act.

### **2. Personal ID when working in shared construction site**

Occupational Safety and Health Act charges the parties directing or supervising a shared construction site with the obligation to ensure that each person working on the site wears



visible pictorial identification while moving on the site. The minimum requirement for ID card is worker's name and photograph and the name of employer. The identification shall indicate whether the person is a worker in an employment relationship or a self-employed person. This requirement came into force in the beginning of February in 2006.

### **3. Declarations to tax authorities**

The most notable organisations in the construction industry have agreed that all parties in the sector acting as contractors notify the tax administration of the name and contact information of contractors and contract price information (agreed contract amount). Quarterly notification must be given of all work ordered by the same contractor where the total amount is minimum EUR 5,000 per quarter.

### **4. Household deduction**

In Finland it is possible to deduct costs for household work in taxation since year 2001. The deductible part is 30% of the wage itself including social security contribution, or 60% of the work compensation to an entrepreneur or enterprise. The maximum deduction per person is EUR 3,000.

Household deduction is one way to reduce grey economy. It is more advantageous to require a receipt for the work done than to have it done as grey work. The household deduction increases demand for small-scale work performances needed in a household. Work entitling to deduction includes household or care work as well as maintenance and reconstruction of the dwelling or the holiday house.

### **5. Special Action Program against grey economy**

The Finnish solution on the fight against economic crime is cooperation and commitment. During the last 10 years, there have been two main points on the fight against economic crime in Finland:

#### ***A. Political commitment in the form of special action programs which have been ratified by government***

Programs have included proposals for legislation, resources for economic crime investigation, training of authorities, research and information campaigns

#### ***B. Cooperation both between different authorities and between authorities and representatives of private sector, especially with business and trade unions***

The fifth Special Action Programme has been ratified for the years 2010 - 2011. The essential content of the program :

1. Legislative amendments to reduce the potential for cooperation between the black economy and criminal businesses.
2. Modernising the powers of the authorities to increase efficiency.
3. Enhancing the processing of economic crimes to better enforce criminal liability.
4. Making currently confidential official information public to increase transparency in business and to enable self-monitoring by enterprises.
5. Appended to the Programme is a report on the additional resources required by the authorities to ensure their capacity to react to changes in the operating environment.

## References

- European Employment Observatory (2007) Article on Undeclared Work from SYSDÉM Correspondent (Update of EEO Review: Autumn 2004) Finland, Hannu Kaseva ,CELMS. <http://www.eu-employment-observatory.net/resources/reviews/NationalArticles/FinlandUDW2007.pdf>
- European Foundation (2009) Transitory restriction on free movement of workers, Finland, European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/fi002.htm>
- Vero Skatt (2007) Annual Report <http://www.vero.fi/doc/download.asp?id=6169;1863506>
- Vero Skatt (2009) Annual Report <http://www.vero.fi/nc/doc/download.asp?id=7745;623995>

## FRANCE

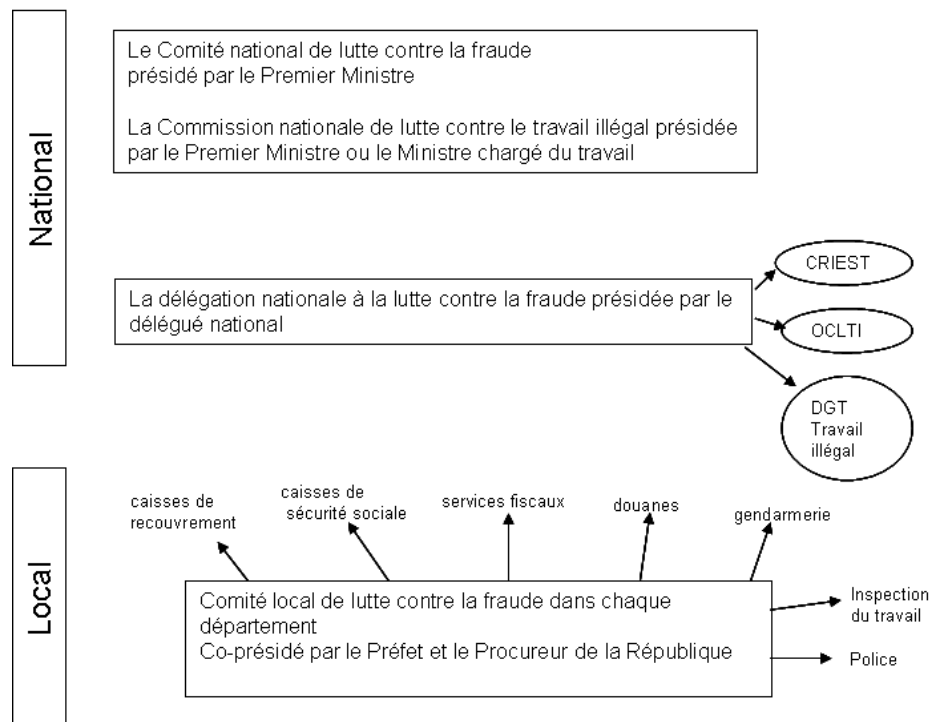
### A. Departments/agencies responsible for tackling undeclared work

France has a cohesive and integrated institutional infrastructure for tackling undeclared work. On 16 April 2008, the government issued a decree, establishing the ***Délégation Nationale à la lutte contre les fraudes (DNLF)***. The central aim of this organisation is to coordinate and strengthen the fight against all sorts of fraud, including undeclared work. In particular, the *Délégation* aims to improve data exchange and dissemination of knowledge on the topic.

In the decree a ***Comité national de lutte contre la fraude (CNLF)*** is foreseen, chaired by the prime minister, whose main task will be the coordination of government policy toward undeclared work.

When the CNLF meets to discuss the fight against illegal work, the national committee of fight against fraud is called “**National Commission of the fight against illegal work**” (*La commission nationale de lutte contre le travail illégal*) and is chaired, in the absence of the Prime Minister, by the **Ministry of Labour, Social Relations, Family Affairs, Solidarity and Urban Affairs** (*Ministère du Travail, des Relations sociales, de la Famille, de la Solidarité et de la Ville*). The commission is composed of senior civil servants in central government departments and agencies involved in combating undeclared work, such as social security offices and tax, along with representatives from a range of social partners including national employer and employee federations, and representative organisations of various professions. With the creation of this commission, the former overarching structure, the *Délégation Interministérielle à la Lutte contre le Travail Illégal (DILTI)* ceased to exist.

### Présentation schématique



## B. Cross-agency cooperation on strategy, operations and data sharing

First the inter-ministerial committee and now the DNLF are meant to improve the cooperation between organisations relevant in the fight against undeclared work. In particular, labour inspection, police, customs and the institutions in the field of social security (ACOSS<sup>136</sup>, URSSAF) are involved. Strategy is formulated on the central level of DNLF and commission. In France, data sharing is still problematic because of the many institutions that are involved; there are for instance 37 old age pension funds.

Cooperation between the Ministry of Labour and the French embassies is improved by providing an information card intended for the social advisers of the French embassies abroad, which provides information on the validity of transnational posting of employees.

## C. Existing cross-national cooperations on undeclared work

The Directorate-General of Labour (DGT) of the Ministry of Labour has a liaison office which is the basis for European cooperation. This office makes it possible to develop communication between the administrations of the Member States and the national

<sup>136</sup> *Agence Central des organismes de sécurité sociale (ACOSS)*, ensures the joint and centralised management of the four branches of social security (health, occupational injury, family and pensions). URSSAF is the major agency collecting social security contributions.

enforcement bodies, to better apprehend the national legislations. The countries with which the exchanges are most profitable are:

- Poland
- Romania
- Portugal
- Bulgaria.

DGT which represents France, takes part in the expert group on posting of workers, made up of 27 Member States, set up within the European commission.

Cross-border cooperation agreements involve:

- A Franco-German agreement of May 2001 and a Franco-Belgian agreement of May 2003 resulted in the opening of decentralised liaison offices in Lille and Strasbourg.
- A Franco-Bulgarian cooperation agreement;
- A Franco-Dutch agreement;
- A French agreement with the Portuguese and Polish authorities.

This international cooperation is also developed for the other actors involved in the fight against the illegal work, such as the *Direction générale des douanes et des droits indirects* (DGDDI).

Due to the French legislation on personal data protection, data exchange between Member States institutions can be problematic.<sup>137</sup> France does have experimental agreement on electronic transmission of E forms with Belgium. Draft agreements on data exchange exist with Czech Republic, Belgium Luxembourg (posting) and the Netherlands (posting). France participates in trESS and Eurociett.

## **D. Measures to tackle undeclared work**

The minister of Labour, Social Relations, Family Affairs, Solidarity and Urban Affairs, recently (November 2009) presented a new National Plan (2010-2011) to intensify the fight against undeclared work. The fight against illegal work is a governmental priority which resulted in the launching of a National plan of action 2004-2005 renewed over the period 2006-2007, then 2008-2009 and finally 2010-2011 and cooperation between state services (labour inspectorate, tax authorities, customs, police force, gendarmerie, judiciary) and of the social security agencies. On November 26, 2009, during the meeting of the National Commission of fight against illegal work, the Minister of Labour reaffirmed the determination of the public authorities to intensify activities in the field of the prevention as well as in the field of repression to combat undeclared work.

The Plan has four priorities:

- hidden work;
- employment of illegal foreign workers;
- fraudulent use of special work status, like internships;
- cross-border fraud.

---

<sup>137</sup> Report of the ad hoc Group on Combat Fraud and Error, Admin Commission.

The plan comprises more and more severe administrative and penal sanctions, exclusion of firms that use illegal workers from government assignments, supply chain liability, heavy fines for companies using illegal workers and even closure of companies using illegal or undeclared workers. Furthermore through modernisation of inspections, controls are supposed to become more effective. The plan also sets clear quantitative goals, like a 5% increase of the number of official reports and more than 25% of procedures resulting from joint controls.

The Plan specifically focuses on certain economic sectors:

- building industry (in particular construction of houses);
- hotels and restaurants;
- professional services (cleaning and safety);
- seasonal work in agriculture;
- entertainment business.

In order to step up controls, 150 extra officers are added to the Labour Inspectorate.

#### References

- Interview INTEFP
- Website *Portail de Gouvernement*, <http://www.gouvernement.fr/gouvernement/xavier-darcos-combattre-le-travail-illegal-sous-toutes-ses-formes>
- Website *Portail de Gouvernement* <http://www.gouvernement.fr/gouvernement/creation-d-une-delegation-nationale-a-la-lutte-contre-la-fraude>
- Website Ministry of Labour, Social Relations, Family Affairs, Solidarity and Urban Affairs <http://www.travail-solidarite.gouv.fr/actualite-presse,42/dossiers-de-presse,46/xavier-darcos-reunit-la-commission,10840.html>
- Website Ministry of Labour, Social Relations, Family Affairs, Solidarity and Urban Affairs <http://www.travail-solidarite.gouv.fr/espaces,770/travail,771/dossiers,156/travail,309/le-travail-illegal,310/>

## GERMANY

### A. Departments/agencies responsible for tackling undeclared work

In July 2003, the **German** federal government decided to reorganise the administrative competences for detecting and combating undeclared work. In the course of revisions of the Act to Combat Illegal Employment, a new administrative unit was set up: **Arbeitsbereich Finanzkontrolle Schwarzarbeit der Zollverwaltung (FKS)**. FKS was subordinated to the customs authorities of the Federal Ministry of Finance (*Bundesfinanzministeriums der Finanzen* – BMF). It targets all types of UDW, but it has a concentration of activities on the detection and tackling of UDW within or for formal (building) companies. The following offenses are mainly considered:

- withholding of employer and employee contributions (§ 266a StGB);

- tax evasion (§ 370 para 1 No 1, 2 AO, § 370 para 2, No. 1 AO);
- obtaining of benefits;
- employment without a residence permit or work permit;
- illegal temporary employment;
- violation of the Posted Workers Directive.

FKS, with approximately 6,750 employees, divided between a central authority and 113 branch offices, encompasses three subunits as follows:

- The Prevention unit ensures a visible area-wide FKS presence. This unit pursues any hints or notification of undeclared work on the spot. In addition, it also carries out its own random inspections.
- The Detection unit is in charge of all statutory investigations and preliminary procedures that are not within the competence of the penalty unit.
- The Penalty unit tracks all summary proceedings for which no fieldwork is required. It also analyses the different datasets used, for example, by employers and social security agencies, to detect irregularities. Finally, it is responsible for dealing with any formal objection to FKS procedures.

All three subjects have access to various databases of cooperation authorities.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The FKS is supported by:

- the tax authorities;
- the Federal Employment Agency;
- the Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway;
- the collecting agencies (§ 28i of the Fourth Social Code);
- holders of pension insurances;
- holders of accident insurances;
- institutions of social assistance;
- competent authorities for asylum seekers;
- customs;
- state authorities for occupational safety;
- police enforcement of the countries on the request in individual cases;
- competent authorities responsible for state law after the prosecution and punishment of offenses under this Act.

With these authorities they came to an agreement on measures, e.g. examinations, interrogations or searches. The above authorities committed themselves to cooperate with FKS and to use these measures.

### C. Existing cross-national cooperations on undeclared work

In the range of the fight against undeclared work and illegal occupation, Germany has a federal fiscal authority west-central for international cooperation. As such, they are responsible (among other things) for the following activities:

- liaison office regarding the Posted Workers Directive (RL 96/71);
- location for cooperation under Regulation (EC) 883/2004 and (EEC) 1408/71, in particular competent authority for requests for information to foreign social security institutions (including the implementation of inspection and complaint procedure).

Furthermore, following bilateral agreements are in place to combat cross-border illegal employment:

- Germany – France, in force since 31 May 2001;
- Germany – Czech Republic, in force since 28 May 2010;
- Germany – Bulgaria, in force since 01 July 2010.

The aforementioned agreements include provisions on the appointment of key counterparts, forms and levels of cooperation and rules concerning the form and extent of information exchange.

Germany pursues the conclusion of further cooperation agreements with other EU Member States.

### D. Measures to tackle undeclared work

To fight all forms of illegal work and illegal employment, Germany uses prevention measures and increased monitoring pressure. They keep full audits in case of suspicion. They pursue and punish offenses and determine crimes. FKS fights against illegal employment agencies and other organisations involved in undeclared work.

For cross-border fight against undeclared work and illegal employment, the FKS cooperates with foreign exchange authorities and bodies.

The FKS focuses on sectoral audits by federal, regional or local level. FKS has intensive and continuous dialogues with citizens, business associations and labour unions in the context of alliances against illegal work and illegal employment. The activities of FKS are also aimed at strengthening people's awareness of the consequences of undeclared work and illegal employment.

#### References

- Website Eurofound, Tax enforcement unit for undeclared work Germany  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/de001.htm>
- Interview *Bundesfinanz* direction, ZF 3 *Nationale und Internationale Zusammenarbeit*

## GREECE

### A. Departments/agencies responsible for tackling undeclared work

**Labour Force Employment Organisation (OAED).** The Labour Force Employment Organisation is the public body responsible for the implementation of the employment policy and services. In specific, OAED is responsible for information on the labour force and the unemployed, for the professional orientation of the labour force, the delivery of technical education and training, facilitating the link between labour demand and supply and the payment of benefits such as unemployment benefits, maternity benefits etc. OAED is responsible for maintaining the registry of unemployed in Greece.

**Greek Corps of Labour Inspectors (SEPE).** The Greek Corps of Labour Inspectors was introduced in Greece in 1955 and was restructured to its present form in 1999. The basic objective of the Greek Labour Inspectorate is to monitor the implementation of the provisions of labour legislation. It reports to the **Ministry of Labour and Social Security**, so as to ensure a unified policy for monitoring the implementation of labour legislation. In accordance with Law 2639/98 on 'regulation of labour relations, establishment of a Labour Inspectorate and other provisions' SEPE is responsible for a) the monitoring of the implementation of labour legislation (labour accidents, health and safety etc), b) the investigation of incidents of illegal labour and uninsured labour and c) the provision of information and proposals regarding the effective application of labour legislation. Therefore, its competencies include the monitoring of illegal employment and uninsured employment. The Greek Corps of Labour Inspectors has the authority to freely enter all workplaces in the private and public sector, at any time of the day or night, even without prior notification. It carries out necessary examinations, monitoring or investigations of all types, with a view to determining whether the provisions of labour legislation are being observed. It can temporarily suspend operation of the whole or part of an enterprise, if the Greek Corps of Labour Inspectors deems that workers' safety and health are directly at risk. Labour Inspectors are divided into three separate branches: Social Inspectors; Technical Inspectors; and Sanitary Inspectors. IN cases of uninsured labour, SEPE notifies the Social Insurance Fund.

**Social Insurance Fund (IKA).** The Social Insurance Fund is the main insurance fund for salaried employees offering coverage to approximately 6m insured and pensioners. IKA undertakes a number of activities to ensured tackling uninsured work such as improving its monitoring systems, ensuring cooperation with SEPE, building supporting systems etc. With regard to groups like immigrants, efforts to tackle uninsured labour include linking proof of social insurance to the ability to renew residence permits. Under current immigration legislation, the rights to renew a residence permit and to thereby work legally in Greece depends directly on the ability to provide proof that the worker has completed a specific number of days of insurance (stamps) each year. Therefore, as well as submitting an application for the renewal of the residence card, each migrant worker must provide a certificate authorised by the Social Insurance Fund. This document proves that the migrant worker has accomplished a number of working days each year during the period of validation



of their expired residence card. This number of days of insurance required depends on the specific professional category of the migrant worker (150, 200 or 250 stamps per case). If the migrant worker cannot provide evidence of the necessary number of stamps in each case, it is possible to purchase up to 20% of the total number of days of insurance required. These reforms, introduced through the provisions of Law 3386/2005 and the Joint Ministerial Decision 160 of 3/1/2006, seek to directly and indirectly limit undeclared work, given that an immigrant worker without a valid residence permit can only work on an undeclared basis.

The **Ministry of the Interior** is responsible for the economic immigrants, including such working without permits.

Other potentially relevant institutions:

**Ministry of Employment and Social Protection and its Directorate-General for Employment.**

Social dialogue bodies:

**National Employment Committee.**

**National Social Protection Committee.**

**Social and Economic Committee (OKE)**

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

In 2003-2004 various ministries, the Labour Force Employment Organisation (OAED) and other institutions developed national programmes and projects, aid schemes and open calls for projects in the area of labour market improvement. Nevertheless, co-ordination of the planning process for the absorption of EU funds needs to be improved, and more support needs to be provided to prepare projects of good quality.<sup>138</sup>

Attempts for data sharing and data compatibility allowing cross checking are promoted through the Operational Programmes supported through the structural funds. However, not much has been done.

Cross agency cooperation exists, especially between SEPE and IKA.

## **C. Existing cross-national cooperations on undeclared work**

In the border regions **Bulgarian, Greek and Romanian** trade unions work together in Regional Industrial Councils countering UDW.

On 30 September 2010, **Bulgaria, Romania and Greece** signed an agreement to join forces in their struggle against UDW.

---

<sup>138</sup> European Employment Observatory (2004).

Greece participates in the **Union Network International – Europa (UNI – Europa)**.<sup>139</sup> This organisation, together with the **Confederation of European Security Services (CoESS)**<sup>140</sup>, has presented a joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>141</sup>

It is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>142</sup> along with Portugal, Spain, Italy, Slovenia, the Czech Republic, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>143</sup>

## D. Measures to tackle undeclared work

### **New measures to combat undeclared work agreed with EU and IMF**

The Memorandum of Understanding signed between the Government of Greece, the European Union and the International Monetary Fund and ratified by law 3845 (Official Gazette A 65/06.05.2010) make specific reference to undeclared work as one of the structural reforms to be promoted by the Government of Greece. In specific, Annex III of the Memorandum on the specific conditions of financial policy (3/5/2010) states that until the second trimester of 2011 the Government must a) adopt legislation on tackling undeclared work and b) require the registration of new employees before they start offering their services.<sup>144</sup>

### **New measures to combat undeclared work in domestic services**<sup>145</sup>

For certain categories of migrant workers, the new **institutional framework for migrant workers in Greece** has introduced reforms which aim to make the renewal of immigrants' residence permits easier and, at the same time, to combat undeclared work among such workers. In the case of domestic workers, whom most of the reforms target, the social

---

<sup>139</sup> Union Network International – Europa (UNI – Europa).

<sup>140</sup> Website of the Confederation of European Security Services (CoESS).

<sup>141</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

<sup>142</sup> European Confederation of Private Employment Agencies (Eurociett).

<sup>143</sup> The agency work industry around the world (Ciett).

<sup>144</sup> Hellenic Ministry of Finance.

<sup>145</sup> Eurofound Greece (2009).

security provisions have paradoxically hampered efforts to limit undeclared work in this industry. The new legislation introduced by the Ministry of the Interior (Law 3386/2005) aims to make it easier for female migrants employed at the employer's home to renew their residence permits requiring proof of social security contributions thus directly and indirectly limiting undeclared work.

While the general annual average required number of days of insurance amounts to 200 days, for certain categories of workers who have more than one employer – such as construction workers, private nurses and staff working at the employer's home – the minimum annual period of insurance is 150 days. In addition, under the new legislative framework, the requirement that these categories must provide a written contract of employment with the employer in order for a residence permit to be renewed has been abolished. However, this requirement continues to apply for immigrant workers in all other economic sectors.

Under this legislative framework, a number of specific measures were introduced to help reduce the level of undeclared work, more specifically by:

- reducing the annual number of days of insurance required;
- making it possible to purchase up to 20% of the days of insurance required;
- abolishing the requirement for a written contract of employment.

#### **Procedures for regularising undocumented immigrants**<sup>146</sup>

The procedures for regularising undocumented immigrants (2002) have had impact on undeclared work. Greece was the last of the southern European countries to implement a regularisation programme for undocumented immigrants (Cavounidis, 2002). The first regularisation programme took place in 1998 enabling workers without papers to obtain a temporary residence permit ('white card'), followed by a 'green card', i.e. a temporary permit valid for up to 5 years. Following a new law in 2001, the competence for economic immigrants was transferred to the **Ministry of the Interior** and provisions were enforced aiming at the social integration of both immigrants and returning Greek ethnic migrants. In order to apply for the permit, immigrants were asked to submit a variety of documents which involved substantial costs to gather. It is estimated that 377,000 persons applied for the residence permit, but the outcome is unclear (Tzortzopoulou, 2002).

#### **Reduction of taxes and social security contributions**<sup>147</sup>

Apart from improving the climate for entrepreneurship, the lowering of the tax rates and the lowering of the high social security contributions paid on labour incomes was expected to have a positive effect on formal employment. With respect to the tax system, 2003 has seen the implementation of a second wave of tax reform, which abolished a large number of reductions, exemptions and allowances (while simplifying the remaining ones) and lowered the personal income tax (through increased tax-free allowances).

In addition, the government is subsidising minimum-wage earners' own social security contributions by paying the part going to the pension account of the Social Security Fund (6.7% of gross pay). In 2003, the Government introduced a new package of labour market measures, aiming to increase employment by reducing non-wage costs for jobless women

---

<sup>146</sup> European Employment Observatory (2004).

<sup>147</sup> European Employment Observatory (2004).

with children, as well as for unemployed youths and people over 55 years. Thus, women working as farmers are exempt from the payment of social security contributions for one year after the birth of their second child and employers who hire unemployed youth (up to 25 years of age) or unemployed aged 55 and over are to be granted a reduction of 50% of the employer's insurance contribution. There is no publicly available evidence or studies in English evaluating the results of these measures.

However, under the strain of the financial crisis and the Memorandum of Understanding between the Government of Greece, the EU and the IMF a number of strenuous measures have been introduced to combat tax evasion and to enhance the tax basis, thus abolishing several favourable measures adopted previously.

#### **Guarantee Fund Facility Scheme for Small Enterprises (TEMPME)<sup>148</sup>**

During 2002, a new law envisaged the creation of a Guarantee Fund Facility Scheme for Small Enterprises (TEMPME). This organisation is to cover one half of the guarantees small enterprises need in order to get bank loans. The continued simplification of the administrative and regulatory environment and especially the easing-up of restrictions on working hours, was expected to strengthen incentives to transform undeclared work to declared work.

#### **Promotion of part-time work<sup>149</sup>**

In Greece, part-time employment is limited in scale. In the context of efforts to encourage this form of work, part-time employment in the public sector was introduced in 2003 (Law 3174/03). Under the new law, local, prefectural and regional authorities are allowed to recruit part-time personnel under fixed-term contracts in order to provide social services. More specifically, 30% of the posts foreseen by the legislation will be filled by unemployed workers (above 30 years of age) who have exhausted their unemployment benefits, and 20% by unemployed workers who are close to retirement.

Working conditions have severely been affected by the recent measures adopted as a result of the Memorandum of Understanding between Greece, the EU and the IMF.

#### **References:**

- Ciett, the agency work industry around the world  
[http://www.ciett.org/fileadmin/templates/ciett/docs/Agency\\_work\\_industry\\_around\\_the\\_world\\_-\\_2009\\_Edition.pdf](http://www.ciett.org/fileadmin/templates/ciett/docs/Agency_work_industry_around_the_world_-_2009_Edition.pdf)
- Eurofound: <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/gr001.htm>
- European Confederation of Private Employment Agencies (Eurociett) - <http://www.euro-ciett.org/index.php?id=75>
- European Employment Observatory, Review: Autumn 2004:  
[http://www.econbiz.de/archiv1/2008/51903\\_european\\_unemployment\\_observatory.pdf](http://www.econbiz.de/archiv1/2008/51903_european_unemployment_observatory.pdf)
- GREECE, National Centre for Social Research:  
<http://www.ueapme.com/docs/projects/Project%20Business%20Associations/GREECE.pdf>
- Union Network International – Europa (UNI – Europa),  
[http://www.uniglobalunion.org/Apps/portal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/portal.nsf/pages/20090204_xjcwEn)

---

<sup>148</sup> Idem.

<sup>149</sup> Idem.

- UNI-Europa and CoESS joint position against undeclared work in the private security sector - [http://www.coess.org/documents/undeclared\\_work\\_051114\\_en.pdf](http://www.coess.org/documents/undeclared_work_051114_en.pdf)
- Hellenic Ministry of Finance  
<http://www.minfin.gr/portal/el/resource/contentObject/contentTypes/genericContentResourceObject,fileResourceObject,arrayOfFileResourceTypeObject/topicNames/actOfLaw/resourceRepresentationTemplate/contentObjectListAlternativeTemplate#fragment-4>
- Eurofound, Greece (2009)  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/gr001.htm>
- Interview Centre for European Constitutional law, Greece

## HUNGARY

### A. Departments/agencies responsible for tackling undeclared work

**The Ministry of Social Affairs and Labour** (*Szociális és Munkaügyi Minisztérium – SZMM*)<sup>150</sup> gathers information on the labour market. According to the **National Action Plan for Employment 2004**<sup>151</sup>, the share of undeclared work is relatively high in Hungary. The tax wedge on labour is high in an international comparison; it restricts job creation and contributes to maintaining undeclared work. Although the tax burden has dropped in recent years, its further reduction is necessary for improving competitiveness and for whitening the black and grey economy. The National Action Plan for Employment, elaborated for the first time in 2004, sets as objective to transform undeclared work into regular employment. The following strategy documents in the labour market area also include recommendations to tackle the undeclared work. For example, the Hungarian National Action Programme for Growth and Employment – 2008-2010<sup>152</sup> states that ‘Sanctions and incentives targeting the reduction of undeclared employment can only be successful if coupled with attitude shaping, which involves raising awareness about risks and drawbacks. It is important that the active population be better informed on the acquisition of retirement entitlements, and it is necessary to strengthen their conscious preparation for old age social security.’

#### Relevant departments:

**Department of Labour Protection** at the Ministry of Social Affairs and Labour. The Department of Labour, headed by the Deputy General Manager, is the main body that monitors labour issues. It is responsible for the professional management of the regional labour inspectorates. The judgement of first instance appeals, against administrative decisions, falls within the competence of the Department in addition to the preparation of necessary enforcement measures.

---

<sup>150</sup> Website of the Hungarian Ministry of Social Affairs and Labour.

<sup>151</sup> National Action Plan for Employment (2004).

<sup>152</sup> Hungarian National Action Programme for Growth and Employment – 2008-2010.

**The Hungarian National Labour Inspectorate** (*Országos Munkavédelmi és Munkaügyi Főfelügyelőség – OMMF*) is the main public body responsible for labour inspections, including uncovering undeclared work. The OMMF implements its inspections with special attention to the inspection directives determined by the Minister of Social Affairs and Labour. The Hungarian Labour Inspectorate is headed by the Director General in accordance with the statutory provision in force. He is appointed by the Minister of Social Affairs and Labour. The OMMF is a central body, under the direct supervision of the Minister of Social Affairs and Labour, and thus has the responsibility to perform general inspections on safety and health conditions at work and labour issues. The OMMF comprises; the headquarters (with nationwide competence) and regional inspectorates (with powers as stipulated by a separate statutory provision). The headquarters is controlled by the General Manager whereas the local inspectorates (regional bodies) are led by Regional Directors.

**National Employment Foundation** (the EQUAL National Support Structure, OFA). The **National Employment Foundation** has been acting among the institutions combating unemployment and promoting employment in Hungary since June 30, 1992 when the Ministry of Labour founded it as a Foundation, and since January 1, 1997 it has been operating as a Public Foundation. The Foundation supports non-governmental labour market organisations, launches innovative employment policy tools, supports employment associations to provide temporary employment for employees affected by mass layoffs, as well as other numerous projects through **grant schemes**. The Foundation contributes to implementing the central labour market programme initiated by the Ministry of Employment Policy and Labour. It is also the Intermediary Body in programmes funded from the European Social Fund. As part of this activity it participates in fulfilling the functions of the National Support Structure of the EQUAL Community Initiative. In 2007 the National Employment Foundation launched a programme for cooperation with NGOs called NGO-based job placement. The programme aims to enable NGOs nationwide to deliver temporary work agency/seasonal job placement services as an alternative to undeclared work.

**Ministry of Finance.** In 2004, the Ministry of Finance has established an inter-ministerial working group to draw up a report on undeclared work for the **Economic Cabinet**. Based on the report, a work programme was prepared defining the tasks in the field of regulation, tax and social security. Two reports by the Ministry of Finance and by a taskforce of the **Economic and Social Council** (*Gazdasági és Szociális Tanács – GSZT*) considered the above measures successful. The latter report stated: 'While the performance of the sector decreased in 2007 and the number of people employed in construction stagnated, wages officially declared increased at an outstandingly high rate.'

**The Economic and Social Council.**<sup>153</sup> The Economic and Social Council is an independent forum for consultations on the national strategies of economic and social policy and for the discussion and opinion formation on governmental strategies. It discusses national strategies related to, among others to policy of labour and employment. It has 4-5 plenary sessions in a year and 6-8 meetings of the standing committee. It consists of: 'Employees' organisations (representative trade unions), 'Economy' (employers and chambers), 'Civil organisations' (various interest groups) and 'Science' (current and previous presidents of the Hungarian Academy of Sciences, representatives of Rectors' Conference). The **Economic and Social**

<sup>153</sup> Website of the Economic and Social Council.

**Council** serves as discussion forum for various economic issues, among which the ones related to undeclared work.

One of the back offices of the Ministry of Finance is the **Hungarian Tax and Financial Control Administration (APEH)**. The APEH plays important role in whitening the black economy and in increasing the number of tax-payers. The tax authority, in order to arrest the shortening of tax-income, and the unauthorised requisitioning of budgetary supports and tax-refunds, inspects tax-payers and other participants of the tax system. Aim of the inspections is to confirm infringements of obligations that are determined in the Acts on taxation and other regulations. During its inspections, the Tax authority reveals and proves the facts, conditions, data substantiate infringements and other abuses and its procedures. Main objectives of APEH concerning fight against undeclared work are included in inspection directives as well.

Another back office of the Ministry of Justice is the **Customs and Finance Guard (VP)**. According to the Act 92 of 2003 on the Rules of taxation, the tax authority and the customs authority shall carry out tax inspections under the inspection directive provided by the head and published annually till 20th February. The inspection directive regulates the usage of inspection capacity concerning tax policy objectives, changes in legislation, type of businesses, behaviours that infringe interests of tax incomes as well as groups of tax-payers with highest risks.

One of the back offices of the **Ministry of Justice and the police** is the **ORFK (Police)**. The Police has cooperative role in the fight against black economy. It ensures the inspections and supports the activity of inspectorates. During the joint inspection the Police often found wanted criminals who are illegally employed.

Another back office of the Ministry of Justice and the police is the **Office of Immigration and Nationality (BÁH)**. The BÁH discharges all the duties related to nationality and the tasks related to the home registration activity. Moreover it carries out all the foreigners policing tasks in the capacity of a central foreigners policing authority and executes all the tasks related to the administration of refugees in the capacity of a refugee authority.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The government expects effective and harmonised cooperation of interested authorities in the area of inspection of the undeclared economy.

In order to the above mentioned, four authorities (OMMF, APEH, NFH, VP) contacted a cooperation agreement in January 2007. Objectives of the agreement: containment of illegal employment, abuse with excise goods, trading without invoice and tax evasion.

Under the principles of the agreement the four authorities carried out joint inspections. Due to the impact of these joint inspections, the number of legally behaved entrepreneurs has increased with 30%. Due to the coordinated cooperation significant results were realised in

money-survey tasks, rollback of illegal trade of far-eastern goods and illegal migration, and capture of illegal employment, filter of goods and services that are dangerous and do not comply with safety requirements and other illegal activities.

In order to improve the efficiency and harmonisation of the joint activities other authorities acceded to the agreement: National Public Health and Medical Officer Service (ÁNTSZ), Hungarian Food Safety Office (MÉBIH) and the Police have signed the cooperation agreement in February 2008.

Participating authorities established a Coordination Work Committee in which each authority has one member. Actions, obligations on sharing information and data, evaluation of joint activities and information of public are determined in the meeting of this Committee. The Coordination Work Committee develops an annual action plan for the inspection and determines the regional targets as well. Secretarial activities of the Committee are implemented by the OMMF.

Transmission of information arising from the cooperation is a feature of improving efficiency. In order to deliver this information, a notice-system was developed, which is operated by the contact persons nominated at local authorities.

Notices for the APEH in case of:

- tax evasion, concealment of income,
- infringement of rule and discipline of invoicing.

Notices for OMMF in case of:

- illegal employment, illegal employment of foreigners;
- night work of young people, employment of young people in prohibited jobs, employment of children;
- perception of working for more than 12 hours;
- illegal employment declared by the APEH inspection, delayed report of the employees;
- serious OSHA infringement;
- PPEs without CE signs, dangerous equipments, fatal or serious work accidents.

Notices for the Police in case of:

- illegal migration;
- infringements, crimes, suspicious behaviour, action, special regards to trade and production of non-ferrous metal.

Notices for VP in case of:

- infringement concerning excise goods;
- suspicion of infringement concerning copyright or faked goods;
- suspicion of infringement concerning goods from third countries.



## C. Existing cross-national cooperations on undeclared work

Hungary participates in the **Union Network International – Europa** (UNI – Europa).<sup>154</sup> and in the **Confederation of European Security Services** (CoESS).<sup>155</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>156</sup>

It is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>157</sup> along with Portugal, Spain, Italy, Slovenia, Greece, the Czech Republic, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>158</sup>

## D. Measures to tackle undeclared work

The world of work constituted one of the main issues in the programme of ‘100 steps’ launched by the Government on 2 May, 2005. It focussed on an increase in the severity of labour inspections, the adjustment of respective methods and legal requirements and the effective reduction of black and grey employments (points 1-15). With this end in view the Government required the OMMF to perform labour inspections both on a regular base. The defined tasks were closely related, their successful completion necessitated a lot of measures on government level and also a significant increase in resources available for the authority performing labour inspections. The necessary circumstances ensured by the Government contributed to the success of inspections and brought positive developments in the employment conditions. The OMMF has also taken several steps internally.

One of the government and internal measures to tackle undeclared work is the enlargement of inspection capacity. Pursuant to Government Decree 2168/2005. (VIII.2.) 100 labour inspectors were recruited and the necessary resources needed to cover the personal, material and accumulation costs were ensured. Thus the strengthened authority was able to

---

<sup>154</sup> Union Network International – Europa (UNI – Europa).

<sup>155</sup> Website of the Confederation of European Security Services (CoESS).

<sup>156</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

<sup>157</sup> European Confederation of Private Employment Agencies (Eurociett).

<sup>158</sup> Website Eurociett (2009) The agency work industry around the world.

face the new challenges. The recruitment of another 100 inspectors was allowed in September, 2007 and an additional 50 in January, 2008. In line with the government expectations the larger staff helped step-up the effective inspections.

The tax auditors' staff (2700) of the Hungarian Tax and Financial Control Administration (APEH) was enlarged by 500 persons in January, 2007 and another 900 experts were recruited in the last quarter of the same year with the purpose of strengthening control in 2008. The control capacity of the Hungarian Customs and Finance Guard was increased by restructuring and recruiting.

Furthermore, the strengthening of control and unpredictability of labour inspections were introduced. Greater number and frequency as well as unpredictability of labour inspections were justified (construction, agriculture, security sector, tourism) in sectors most severely hit by undeclared work. Inspectors often performed follow up visits at night and during weekends beyond normal working hours.

When penalties were imposed the social impact of infringements were always taken into consideration with a view to gradation, proportionality and differentiation pursuant to Act on labour inspection in force. Since 1 January 2007, employers of undeclared workers have been undergoing follow-up inspections so that legal employment and workers' registration were restored. Means of follow up inspections included obtaining employment data from the registration database and repeated visits performed by inspectors.

With the aim to improve tackling illegal employment it was essential to amend the Act on labour inspection and the joining provisions comprehensively. The amendment the 'Met' (Act LXXV of 1996) was carried out in close cooperation with the social partners. The primary purpose was to extend the legal scope of labour inspection so that inspectors could investigate violations committed by employers to the debit of workers on a larger scale and were also able to take steps against violations with tools offering more opportunities for measures. The regulations concerning sanctions to be applied or proposed had to be unambiguous and appropriately differentiated. Elimination of circumstances inhibiting inspections was important (fake companies, contract chains, subcontractor responsibilities).

Other legislation was improved as well to strengthen measures to combat undeclared work.

### **Inspection guidelines**

Pursuant to the Met. the OMMF performs its inspection activities on the basis of inspection guidelines set forth by the minister of employment till 20 February each year. The inspection guidelines define how the authority should utilise its inspection resources with special regard to ongoing employment procedures and objectives, changes in legislation, behaviours that mostly violate legal employment rules as well as to employers and workers that constitute major risk from the point of view of employment. Over and above the guidelines include the targeted inspection area, the main scope of activities, jobs and sectors in focus.

## Partnership for safety in employment

Upon the effect of the prevalence of illegal employment and the conspicuous rise of workers' complaints the labour authority has recognised that the official instruments solely are insufficient to defeat the negative phenomena in Hungary, and therefore considered to establish cooperation with partner authorities, professional and interest representation bodies, employers and workers within the frame of a partnership agreement titled 'Partnership for safety in employment'.

Promotion of safety in employment is the primary task of all participants. The authority cannot disregard penalisation, as it is a possible means of prevention in the interest of protecting the workers' interests. The participants of the partnership undertake to refuse all kinds of illegal employment, provide the basic rights to workers, see to the observation of the rights of the trade unions, observe the fundamental prescriptions of safety and health at work and pay special attention to the protection of people in the vicinity of the workplace.

The OMMF regularly calls its partners' attention to changes in the law and holds consultations on the necessary amendments.

With the consent and support of its partners the OMMF organises professional days and also participates at these events where it provides support in the proper application of the labour and OSH provisions by lectures and reviews on its inspection experiences, legal cases and court decisions.

The partnership contributes to protection of the values of employment culture on the one side and to the establishment of a partner contact between the authority and the actors of the labour market on the other. All organisations are free to join the agreement that have neither pending labour or OSH procedures, nor final administrative decisions that impose fines for the violation of labour law, illegal employment of foreign workers or infringement of OSH regulations, within 1 year prior to signing the partnership declaration.

## References

- Consultation Hungarian labour inspectorate
- European Confederation of Private Employment Agencies (Eurociett): <http://www.eurociett.org/index.php?id=75>
- Hungarian National Action Programme for Growth and Employment – 2008-2010, [http://www.nfu.hu/download/13631/NFU\\_kiadvany\\_nezokep.pdf](http://www.nfu.hu/download/13631/NFU_kiadvany_nezokep.pdf)
- Hungary: Current Labour Market Information 2004, Ministry of Social Affairs and Hungarian [National Action Programme for Growth and Employment – 2008-2010](http://www.google.bg/url?sa=t&source=web&ct=res&cd=1&ved=0CAkQFjAA&url=http%3A%2F%2Fwww.nfu.hu%2Fdownload%2F13631%2FNFU_kiadvany_nezokep.pdf&rct=j&q=No+other+Plan%2C+however+they+have+NATIONAL+ACTION+PROGRAMME+FOR+GROWTH+AND+EMPLOYMENT+%E2%80%93+2008-2010+&ei=dXasS87pBKGImwOY6oiCBw&usq=AFQjCNGB76goxF23zpm903swp_fdPds_qlg).  
[http://www.google.bg/url?sa=t&source=web&ct=res&cd=1&ved=0CAkQFjAA&url=http%3A%2F%2Fwww.nfu.hu%2Fdownload%2F13631%2FNFU\\_kiadvany\\_nezokep.pdf&rct=j&q=No+other+Plan%2C+however+they+have+NATIONAL+ACTION+PROGRAMME+FOR+GROWTH+AND+EMPLOYMENT+%E2%80%93+2008-2010+&ei=dXasS87pBKGImwOY6oiCBw&usq=AFQjCNGB76goxF23zpm903swp\\_fdPds\\_qlg](http://www.google.bg/url?sa=t&source=web&ct=res&cd=1&ved=0CAkQFjAA&url=http%3A%2F%2Fwww.nfu.hu%2Fdownload%2F13631%2FNFU_kiadvany_nezokep.pdf&rct=j&q=No+other+Plan%2C+however+they+have+NATIONAL+ACTION+PROGRAMME+FOR+GROWTH+AND+EMPLOYMENT+%E2%80%93+2008-2010+&ei=dXasS87pBKGImwOY6oiCBw&usq=AFQjCNGB76goxF23zpm903swp_fdPds_qlg)

- Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organisation – Geneva, January 2010: [http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)
- Labour, <http://www.szmm.gov.hu/download.php?ctag=download&docID=10984>
- Modernising the Hungarian Public Employment Service, PHARE Twinning programme, 2002-2004, <http://www.szmm.gov.hu/download.php?ctag=download&docID=11077>
- National Action Plan for Employment 2004, <http://www.szmm.gov.hu/main.php?folderID=13575>
- Website Eurofound, <http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry12.htm>
- Union Network International – Europa (UNI – Europa), [http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Economic and Social Council: <http://www.mgszt.hu/>
- Website of the Hungarian Ministry of Social Affairs and Labour: <http://www.szmm.gov.hu/main.php?folderID=13456>

## ICELAND

### A. Departments/agencies responsible for tackling undeclared work

Undeclared work is a quite big problem in Iceland. Tax fraud is estimated to be 8.5% - 11.5% of Iceland's total tax revenues. Thereof 5-8% is linked to undeclared work. This results in close to 40 billion ISK lost tax revenues every year.

The key problematic sectors are: construction, restaurants and tourism, retail and any personal services. Illegal work performed by immigrants without work permits is also a problem in Iceland spread over the previously mentioned sectors.

**The Directorate of Labour and the Internal Revenue Directorate** both have key obligation in inspecting undeclared work. The Directorate of Labour (*Vinnumálastofnun*) is responsible to the Minister of Social Affairs and has the management of the employment service within the country as well as the daily operation of the Unemployment Benefit Fund, the Wage Guarantee Fund, the Childbirth Leave Fund and payments to parents of children with long term illness.

### B. Cross-agency cooperation on strategy and operations and/or data sharing

There are quite a few agencies fighting against undeclared work, but there is limited cross-agency cooperation in place. Following are examples of current key activities. This list is by no means exhaustive:

### **Cooperation on workplace ID cards and workplace monitoring**

Cooperation between the **Icelandic Confederation of Labour** and the **Confederation of Icelandic Employers** has led to a law being passed in August 2010 on issuing ID cards in the workplace for the building and construction industries, hotel and restaurants. These industries are obligated to supply their employees with ID cards to make investigation and control activities against undeclared work more effective.

On behalf of these two institutions an inspectorate unit has been formed to go out on work sites and check on those IDs, thus to take active action against undeclared work. This law came into effect on 15 September 2010. Based on this experience, it is intended to issue ID cards for other sectors. The act also stipulates that inspectors shall send the information stated on workplace ID cards to the tax authorities, the Directorate of Labour, the State Social Security Administration, chiefs of police and, when relevant, the Directorate of Immigration and the National Registry, so that it is possible to check whether the employer or employee is working in accordance with the relevant act that each institution is to implement.

### **'Fair play'**

There is a cooperatives initiative between the **Icelandic Confederation of Labour** and the **Confederation of Icelandic Employer** to even competition within industries by promoting 'fair play'. This is both to fight undeclared work and so that unions can better safeguard employees' rights.

### **The Directorate of Labour and the Internal Revenue Directorate**

Amongst other duties the Directorate of Labour and the Internal Revenue Directorate both have key obligation in inspecting undeclared work.

As an initiative between the Ministry of Finance and the Ministry of Social Affairs an agreement on wide cooperation between the Directorate of Labour and the Internal Revenue Directorate was made in July 2009. This agreement leads to sharing of information on developments in the workplace concerning undeclared work. As a result of this, tip-offs have been shared and some joined on site inspections have taken place.

### **Information Campaigns**

In 2009 the **Federation of Icelandic Industries** rolled out campaign against undeclared work, both on TV and by printing propaganda flyers. The focus was set on undeclared work to be a threat to the welfare society. The incentive is to change the attitude towards tax evasion through undeclared work.

### **Tip-offs / whistle blowing**

The Internal Revenue Directorate, the Directorate of Tax Investigations, the Directorate of Labour and the Icelandic Confederation of Labour all have venues for accepting tip-offs whether anonymous or not.

The Icelandic Confederation of Labour (the unions) and the Confederation of Icelandic Employer investigation unit also take action when tip-offs about situations in the workplace are reported.

### **Household deduction**

Household tax deduction is one way to reduce the grey economy. This makes it more advantageous to require a receipt for the work done than to have it done as grey work. The

household deduction increases demand for declared small-scale work performances needed in a household.

With this in mind the Ministry of Finance and the Ministry of Social Affairs have promoted that law was passed to make VAT 100% deductible on household care work as well as maintenance and reconstruction of the dwelling or the holiday house. A house owner can also get up to 300 thousand ISK deduction from the revenue tax.

### **C. Existing cross-national cooperations on undeclared work**

There exists a Nordic Tax Treaty, with Sweden, Norway, Finland, Denmark and Iceland.

### **D. Measures to tackle undeclared work**

Mentioned under B.

As can be seen under section B, there are specific activities in Iceland in the fight against undeclared work. Initiatives are definitely developing in the right directions, but a clear lead is not to be found. There are definitely unexploited opportunities for more and better cooperation against undeclared work that could make the battle more effective and more efficient.

In overall assessment it can be concluded that a more formal cooperation between the above institutions would deliver better results. However, one must bear in mind that there are legal limitations that have to be taken into account.

## **IRELAND**

### **A. Departments/agencies responsible for tackling undeclared work**

#### *NERA*

The **National Employment Rights Authority** (NERA) is an Office of the Department of Enterprise, Trade and Innovation. It focuses on employment rights and certain types of undeclared work such as employment permit requirements. Where it detects other forms of undeclared work it reports the matter to Government Bodies such as the Revenue Commissioners and Department of Social Protection.

NERA was established on an interim basis by the Government in February 2007 and will be established a statutory basis on enactment of the Employment Law Compliance Bill.<sup>159</sup> It aims to secure compliance with employment rights legislation and to foster a culture of

---

<sup>159</sup> Website NERA.

compliance in Ireland through five main functions: information, inspection, enforcement, prosecution and protection of young persons.

NERA incorporates the former labour inspectorate of the Department of Enterprise Trade and Employment and has a total of 70 inspectors comprising 12 Inspector-Team Managers and 58 Inspectors (See also 'NERA; review of 2009' available at [www.employmentrights.ie](http://www.employmentrights.ie)).

#### **Department of Social Protection**<sup>160</sup>

The **Department of Social Protection** is the Government Department responsible for promoting a caring society through ensuring access to income support and other services, enabling active participation, promoting social inclusion and supporting families. The Department formulates appropriate social protection policies and administers and manages the delivery of statutory and non-statutory schemes and services.

(For evaluations see also: <http://www.welfare.ie/EN/Pages/researcher.asp>)

#### **The Office of the Revenue Commissioners**<sup>161</sup>

The Mission Statement of Revenue is: 'To serve the community by fairly and efficiently collecting taxes and duties and implementing Customs controls. The core business is the assessment and collection of taxes and duties.

This revenue office focuses on all types of undeclared work, but specifically in Construction and Off shore. There are in excess of 100 Revenue offices countrywide with a staff complement of over 7000 approx.

In 2009 there were 1,622 convictions for Non-Filing (which relates to prosecutions for non-filing of P35, VAT, Income Tax and Corporation Tax returns).

#### **MRCI**<sup>162</sup>

The MRCI is a national organisation with 18 employees, concerned with the rights of migrant workers and their families. Established in 2001 to bridge a gap in support structures and information provision for migrant workers and their families, it has since evolved to become a national organisation concerned with:

- provision of supports to migrant workers and their families in situations of vulnerability;
- empowering migrant workers through community work practice;
- achieving policy change.

It focuses on Illegal work, irregular migration and undocumented migrant workers.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The National Social Partnership Agreement, 'Towards 2016' provides for greater co-ordination between organisations concerned with employment rights compliance.

---

<sup>160</sup> Website department of social protection.

<sup>161</sup> Website Irish tax and customs (2009).

<sup>162</sup> Website Migrant right centre Ireland.

In particular it provides that NERA Inspectors will join with the Department of Social and Family Affairs and the Revenue Commissioners to work together in Joint Investigation Units (JIUs). The role of the JIUs is to address areas where evidence suggests that non-compliance exists.

The Social Welfare and Pensions Act, 2007, which came into operation on 30th March, 2007 provides for the exchange of relevant employment data between the Revenue Commissioners, the Minister for Social and Family Affairs and the Minister for Enterprise, Trade and Employment.<sup>163</sup>

### **The Hidden economy monitoring group<sup>164</sup>**

The **Hidden economy monitoring group** is made up of representatives of Ireland's tax authorities the Office of the Revenue Commissioners, the Department of Social Protection, the Irish Congress of Trade Unions (ICTU), the Irish Business and Employers' Confederation (IBEC), the Small Firms' Association (SFA) and the Construction Industry Federation (CIF). The 'Hidden economy monitoring group' was established to help reduce the level of undeclared work in Ireland.

Its goal is 'to provide a forum for the exchange of views on the effectiveness of measures introduced in combating the 'black economy' between the Revenue Commissioners and Department of Social Protection and representatives of employers, trade unions and the construction industry'.

Information provided by the Revenue Commissioners to the Irish parliament (*Dáil Eireann*) indicates that 57 meetings of the Hidden economy monitoring group took place between its original commencement in 1990 up to the end of 2005. The Hidden Economy Monitoring Group was reactivated in 2007 at which stage NERA became a member.

Unfortunately, aside from this information, no published reports are available in relation to outcomes emanating from the work of the Hidden economy monitoring group. There is more information available on the outcomes relating to the role of NERA, which complement the work of the Hidden economy monitoring group.

## **C Existing cross-national cooperations on undeclared work**

In the social Partnership Agreement of 2006 the section 26 was included on EU Legislative Developments and the Workplace'. It states that the Government is committed to engaging in ongoing dialogue with the employer and trade union sides in relation both to existing and any proposed Draft Directives which impact on the workplace, including in particular on seafarers. This will include in particular the Draft Directive on Temporary Agency Workers and the proposed Services Directive, building on dialogue already undertaken in these areas.

There is no information available at this point on actual cross-national cooperations.

---

<sup>163</sup> Website NERA, joint investigations.

<sup>164</sup> Website Eurofound, Hidden economy monitoring group, Ireland.



## D. Measures to tackle undeclared work

Each year labour [NERA] inspectors carry out thousands of visits and inspections, but only a tiny fraction of these lead to prosecutions. In 2007, there were 9705 labour inspections, which resulted in the initiation of 98 prosecutions. Thus, what is supposed to be a traditional 'hard' approach to regulation ends is extremely 'soft', as the penalties for a breach of regulations are low and the inspection process does little to change the standard-setting behaviour of the employer.<sup>165</sup>

Unions and employers have had more or less complete autonomy to fashion the manner in which they interact with each other inside firms. All in all, social partnership in Ireland centralised pay bargaining, but left other collective bargaining matters, such as those relating to workplace change, in the hands of management and unions inside firms. As a result, two separate tiers have emerged to Irish industrial relations during the past two decades, one at firm level and the other at national level.<sup>166</sup>

The emphasis of national inspection system is mostly on penalties and measure to improve detection (data matching and workplace inspections)

### References

- Website NERA, <http://www.employmentrights.ie/en/aboutnera/>
- Website department of social protection <http://www.welfare.ie/EN/Pages/default.aspx>
- Website Ulrish tax and customs (2009) Revenue Commissioners\_headline-results-2009[1].pdf
- Website Migrant right centre Ireland, [http://www.mrci.ie/about\\_mrci/index.htm](http://www.mrci.ie/about_mrci/index.htm)
- Website Eurofound, Ireland <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/ie001.htm>
- Government of Ireland, department of Taoiseach (2006). *Towards 2016, the 10-year Framework Social Partnership Agreement, 2006-2015* Dublin: the stationery office
- Teague, Paul (2009) *Reforming the Anglo-Saxon Model of Labour Inspection: The Case of the Republic of Ireland*. European Journal of Industrial Relations 2009; 15; 207.(p.219)
- Teague, Paul and Deborah Hann (2008) *Struggling to Follow the High Road: Unionised Firms in an Open Economy*. Belfast: The Queens University Belfast.

---

<sup>165</sup> Towards 2016, the 10-year Framework Social Partnership Agreement, 2006-2015 (2006) Dublin: the stationery office.

<sup>166</sup> Paul Teague and Deborah Hann (2008) *Struggling to Follow the High Road: Unionized Firms in an Open Economy*. Belfast: The Queens University Belfast.

## ITALY

### A. Departments/agencies responsible for tackling undeclared work

**National Committee for the Formalisation of Non-Registered Labour** (*Comitato per l'emersione del lavoro non regolare*). The Committee was created in 1998. The main objectives of the initiative include: creating an institutional network between the central government and regional authorities, with the aim of gaining knowledge about the qualitative and quantitative characteristics of the informal economy and proposing formalisation policies, encouraging commitment among workers and employers to be tax compliant, and fighting undeclared work.

**Ministry of Labour, Health and Social Policies**<sup>167</sup> (*Ministero del Lavoro e delle Previdenza Sociale*). The legislative reforms introduced with Decree Law No. 124 of 23 April 2004 on the labour inspection services put the Ministry of Labour and Social Security at the top of the hierarchical structure of the inspection system, enhancing both its guidance and coordination functions in the efforts to tackle undeclared work. At the same time the Decree Law also created regional and provincial management offices for labour, in addition to the general management head office.

#### **Other relevant institutions**

**The National Social Security Institute** (*Istituto nazionale per la previdenza sociale*, Inps) must verify fulfilment of all the requirements stipulated by law. The application is subsequently examined by a board consisting of representatives from the **Provincial Labour Directorate** (*Direzione Provinciale del Lavoro*), The National Social Security Institute, the **National Workplace Accident Insurance Institute** (*Istituto nazionale assicurazione infortuni sul lavoro*, Inail) and social security institutes. Regularisation of undeclared work requires the signing of special conventions stipulated by the National Social Security Institute, the National Workplace Accident Insurance Institute and the regional administrations.

**National Workplace Accident Insurance Institute** (*Istituto nazionale assicurazione infortuni sul lavoro* – INAIL) registers the workers on the voucher scheme for insurance cover.

**Servicio Centrale per il coordinamento degli ispettorati del lavoro e de la previdencia sociale** participates in **The International Association of Labour Inspection (IALI)**, which is the global professional association for labour inspection.<sup>168</sup>

Other relevant institutions include the **Customs Service and the Revenue Agency**.

---

<sup>167</sup> Website of the Italian Ministry of Labour, Health and Social Policies.

<sup>168</sup> Eurofound – Regulation of undeclared work, Italy (2009).

## B. Cross-agency cooperation on strategy, operations and/or data sharing

**Coordination of inspection services.** Decree Law No. 124 of 23 April 2004 introduced reform of the labour inspection services to improve coordination and information exchange between the various agencies involved, and to move beyond the traditional penalty based approach by also offering advisory services. The main actors involved include the: **Ministry of Labour, Health and Social Policies** (*Ministero del Lavoro e delle Previdenza Sociale*); **National Committee for the formalisation of non-registered labour** (*Comitato per l'emersione del lavoro non regolare*); **National Social Security Institute** (*Istituto Nazionale Previdenza Sociale – INPS*); **Italian Workers' Compensation Authority** (*Istituto Nazionale per l'assicurazione contro gli infortuni sul lavoro – INAIL*); **Customs Service; Revenue Agency; trade unions; and employer organisations.** The target groups include workers and employers. The legislative reform aimed to coordinate the inspection activity carried out by all agencies in charge of labour and social legislation, as well as by those responsible for combating undeclared work; improve the exchange of information; include new softer types of measures advising the companies concerned on how to avoid irregular work practices; prevent recurring forms of offence; highlight new or particularly complex provisions; introduce both in the traditional penalty-oriented inspection activity and in the preventive advisory inspections a number of assessment mechanisms based not so much on the number of sanctions but on other indicators.

**Urban Centres for Economic Renewal (CUORE).** The Urban Operational Centres for Economic Renewal (*Centri Urbani Operativi per la Riqualificazione Economica*) project consists of a network of neighbourhood service centres for entrepreneurs and potential entrepreneurs. The primary objective is to develop a friendly relationship between the state and informal entrepreneurs, with the government offering help expecting something in return. The project started in 1999 and consists of a network of neighbourhood service centres for entrepreneurs and potential entrepreneurs. A total of four **Urban Centres for Economic Renewal** operate in four areas of the municipality of Naples – north, northeast, south and central. The Urban Operational Centres for Economic Renewal (*Centri Urbani Operativi per la Riqualificazione Economica – CUORE*) project is led – in partnership – by the Urban/Eco Department of the University of Naples 'Federico II' and the Labour Office of the Municipality of Naples. The Centres have as an objective to encourage companies to work in compliance with regulations and fiscal law by offering consultancy on procedures for regularisation – for example, how to register a business with the Chamber of Commerce and the Social Insurance Office, how to request a value-added tax (VAT) number, and how to obtain a public health permit if needed. The staff at the centre plays a delicate role: they interact with local companies through 'door-to-door' promotion of legal business opportunities, rather than those pertaining to undeclared work.

## C. Existing cross-national cooperations on undeclared work

Italy participates in the **Union Network International – Europa** (UNI – Europa)<sup>169</sup> and in the **Confederation of European Security Services** (CoESS).<sup>170</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>171</sup>

It is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>172</sup> along with Portugal, Spain, the Czech Republic, Slovenia, Greece, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>173</sup>

Italy, along with Belgium, France, Germany, and Romania, established the **European Network on Undeclared Work** (ENUW) under the coordination of Italian Ministry of Labour and Social Security (currently Ministry of Labour, Health and Social Policies).<sup>174</sup> It seeks to promote the exchange of expertise on a wider policy agenda dealing with undeclared work. Such cooperation could be extended to a more comprehensive range of countries and also across the full range of strategic and operational issues, particularly data sharing.<sup>175</sup>

## D. Measures to tackle undeclared work

### **Regional and provincial management offices for labour.**

Coordinating the inspection and prevention activities carried out by the Ministry of Labour and Social Security required a change in the public officials' way of working. The Decree Law No. 124 of 23 April 2004 positioned the **Ministry of Labour and Social Security** (currently **Ministry of Labour, Health and Social Policies**) at the top of the hierarchical

---

<sup>169</sup> Union Network International – Europa (UNI – Europa).

<sup>170</sup> Website of the Confederation of European Security Services (CoESS).

<sup>171</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector.

<sup>172</sup> The European Confederation of Private Employment Agencies (Eurociett).

<sup>173</sup> The agency work industry around the world.

<sup>174</sup> Specifications tender n° VT/2009/049.

<sup>175</sup> Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organisation – Geneva (2010).

structure of the inspection system. It also created regional and provincial management offices for labour, in addition to the general management head office. The regional and provincial offices carry out their work through:

- a central coordination commission including: the managers of the various bodies and of the National Commission for the formalisation of non-registered labour, the manager of Italian Workers' Compensation Authority (INAIL), the commander of the Customs Service, the manager of the Revenue Agency, the national coordinator of the local health units, and four members of the most representative trade unions and employer organisations;
- a regional coordination commission including the managers of the same bodies operating at regional level;
- Committees for work and its formalisation (*Comitati per il lavoro e l'emersione del sommerso* – CLES) including the trade union and employer representatives, as well as the above agencies operating at provincial level.

Additional problems can arise when implementing the strategy of vertical and horizontal cooperation, which represents an integral part of the reform; this innovation also requires a change in the public officials' behaviour.

#### **Voucher scheme: Communication campaign on good work (*Campagna di Comunicazione sui buoni lavoro*)<sup>176</sup>**

In June 2009 the **Ministry of Labour, Health and Social Policies** and the **National Social Security Institute** (*Istituto Nazionale Previdenza Sociale – INPS*) launched a voucher scheme as a new measure on **casual work-type accessory**. The decision to introduce the voucher system was prompted by the desire to expand the forms of regular employment through increased employment and income support for those 'weak' employment types outside the shades of the black sector. The voucher scheme incorporates the provision of work, coverage for accidents at work and payment of social security contributions to INPS.

#### **Realignment contracts<sup>177</sup>**

The 1990 law on realignment contracts provided for trade unions and employer organisations in the south of Italy to agree on a minimum wage at provincial level (no less than 25% of the national minimum wage and adjusted within three years to 100% of the national minimum wage). It aimed at reducing the burden of tax and social contributions for employers and workers during that period, while not penalising past non-compliance in terms of tax, workplace safety and social welfare contributions. Law No. 210/1990 and its subsequent modifications in 1996, 1997, 1998 and 1999 mainly targeted workers and employers. The idea behind the law was that labour costs are the only cause driving companies to evade the tax and social welfare obligations resulting from national employment contracts. In provinces where the realignment contract has had more success in terms of numbers of complying companies and workers – such as in the Lecce province of the Puglia region – 40% of companies benefited from the measure. Nonetheless, it has taken a good 10 years in total to achieve an 80% alignment with national labour contracts. Some 40% of businesses which benefited from the possibility of realignment contracts, with

---

<sup>176</sup>Website of the Ministry of Labour and Social Security.

<sup>177</sup> Eurofound Italy (2009).

national and international competition on the rise, asked the government to extend the 'grace' period from three to 10 years. However, this request brought to a halt all innovative aspects of the realignment contracts aimed at improving and increasing the competitive edge of enterprises. The main organisations responsible for the measure were the **General Confederation of Italian Workers** (*Confederazione Generale Italiana del Lavoro – CGIL*) and two governmental authorities – the **National Social Security Institute** (*Istituto Nazionale Previdenza Sociale – INPS*) and the **Italian Workers' Compensation Authority** (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro – INAIL*).

#### **Regularisation of undeclared work and 'emergence agreements'**<sup>178</sup>

The Italian government introduced a number of measures in 2006 which seek to regularise undeclared work, as well as providing **tax and social security incentives for employers** to regularise such employees. The main objective of the measures in question is to regularise all employment relations not registered by companies in their book-keeping accounts or other compulsory records, and for which social security and other payments are not consequently made. Particular emphasis is placed on measures designed to promote the spontaneous uncovering of undeclared work through the regularisation of such work via a process agreed on with the trade unions and which guarantees regular employment for the workers concerned.

#### **Measures to increase employer communication**<sup>179</sup>

In January 2007, the 2007 Finance Act (*legge finanziaria*) introduced some changes in relation to employment provisions. Employers are now **obliged to communicate the start of an employment relationship**, as well as modifications to an employment contract and dismissals, to the competent authorities. The main actors involved in the implementation of the legal provisions are: entrepreneurs, the **Ministry for Labour and Social Security** (*Ministero del Lavoro e della Previdenza Sociale*), the **National Social Security Institute** (*Istituto Nazionale Previdenza Sociale – INPS*) and the **Italian Workers' Compensation Authority** (*Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro – INAIL*).

#### **Voucher scheme for seasonal work in agriculture**<sup>180</sup>

The Italian government launched an initiative in 2008 to combat undeclared work, by establishing a voucher scheme in the agricultural sector (*sistema dei voucher nel settore agricolo*). As an experimental measure, employers could apply for vouchers which could then be used as payment to workers undertaking supplementary work in the sector during the grape harvest. The vouchers include social security and insurance contributions. It involved the following actors:

- **employment centres**, to which the workers must communicate their availability for supplementary work;
- **National Social Security Institute**, as the trial agency for the experimental service;
- **Italian Post Office** (*Poste Italiane*) for the issue and encashment of the vouchers;

---

<sup>178</sup> Idem.

<sup>179</sup> Idem.

<sup>180</sup> Idem.

- **National Workplace Accident Insurance Institute**, which registers the workers on the voucher scheme for insurance cover.

#### **Certification of labour compliance**<sup>181</sup>

The *Documento Unico di Regolarità Contributiva* (DURC) is a document certifying construction companies' regular payments of social contributions. Based on a single application, DURC is a certificate of the company's compliance with the obligation to pay social security, welfare and insurance contributions. Law No. 266/2002 concerning the regularisation of undeclared work and Decree Law No. 276/2003 on reform of the labour market provided for an agreement to be reached on the DURC issue between the **National Social Security Institute** (*Istituto Nazionale Previdenza Sociale*, INPS), the **Italian Workers' Compensation Authority** (*Istituto Nazionale per l'assicurazione contro gli infortuni sul lavoro* – INAIL) and the **Special Construction Workers' Funds** (*Casse Edili*). The latter is a bipartite organisation set up by the sectoral trade unions and employer organisations. Initially introduced at provincial level, DURC has been applied nationwide since 2006 through the establishment of a single social security information point.

#### **Combating undeclared work and promoting safety in construction**<sup>182</sup>

To combat undeclared work and improve workplace safety in the construction industry, Article 36 of Law No. 248/2006 introduced 'Urgent measures to fight undeclared labour and to promote safety measures in workplaces'. The actors involved in the implementation of the project include the:

- **Ministry for Labour and Social Security;**
- **National Social Security Institute;**
- **Italian Workers' Compensation Authority;**
- **workers and employers.**

The sanctions include: any building site will be closed if, as a result of a workplace inspection, over 20% of the workforce is found to be undeclared or if working conditions are not complying with the law. Employers must provide workers with an appropriate identification card. In the case of infringement of this requirement, the employer will receive an administrative sanction.

#### **Spinner programme**<sup>183</sup>

The aim of the Spinner programme (*Servizi per la Promozione dell'INNOvazione E della Ricerca*) started in 2000 in the Emilia-Romagna region was to regularise the business activities of Chinese entrepreneurs in accordance with Italian legislation. The initiative supported the regularisation of the companies on labour, security and safety, taxes, environment and urban planning issues to the conditions required by the Italian system, while transforming the immigrant workers of those businesses into active members of the economic and social system.

The actors involved in the project's operations include the following consortium:

---

<sup>181</sup> Idem.

<sup>182</sup> Eurofound, Italy (2009).

<sup>183</sup> Idem.

- European Social Fund of the European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities – provision of financial support;
- local authority of the Emilia-Romagna region (*Regione Emilia-Romagna*) – provision of financial, political and administrative support;
- National Agency for Enterprise and Inward Investment Development (*Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo di impresa SpA, Sviluppo Italia*);
- ASTER Development Agency for Science, Technology and Business (*ASTER Scienza Tecnologia Impresa*) – a regional research agency, providing technical support;
- Alma Mater Foundation (*Fondazione Alma Mater*) – involved in the project's establishment;
- individuals or companies providing technical and administrative support.

### **Inspection drive to combat undeclared work in construction sector<sup>184</sup>**

A measure from 2006 encourages the regularisation of undeclared work by increasing **inspection activity, suspending work to companies using irregular work**, and issuing administrative and civil **sanctions**. The legislation aims to regulate the occupational status of workers with regard to pay and social insurance contributions, and to regularise the position of immigrant workers without stay permits but employed on construction sites. Inspections are carried out by personnel from the **Ministry of Labour, Health and Social Policies** (*Ministero del Lavoro, della Salute e delle Politiche Sociali*). The **Italian Workers' Compensation Authority**, the **National Social Security Institute** and inspectors from the health boards report breaches of the provisions. Furthermore, **employers and trade unions** are urged to reach agreements that prevent the use of undeclared labour. Also applicable is a 'maxi-fine' for the employment of undeclared labour: failure to report new recruits incurs an administrative sanction of between €1,500 and €12,000 for each worker, which increases by €150 for each day of effective work. The overall amount of the civil sanctions for the non-payment of contributions and premiums for each worker in the previous period will be a minimum of €3,000, regardless of the duration of employment. Additionally, since 1 October 2006, construction companies have been obliged to issue their employees with a special identity card bearing a photograph and stating the worker's details and the name of the employer.

### **Regulations to promote regular employment<sup>185</sup>**

In 2001, the government passed Law No. 383 promoting the regularisation of employment through the provision of **incentives**. The government's move was based on the assumption that undeclared work existed due to the high level of taxes and contributions to be paid. The law targeted companies, workers and employers throughout the country. The principal objectives were to enhance social security services for workers, **improve tax compliance**, combat unfair competition, and reduce the level of undeclared work. The main actors involved in this initiative were: entrepreneurs; the Ministry for Labour and Social Policies (*Ministero del Lavoro e della Previdenza Sociale*); trade unions; business associations; the National Institute for Social Insurance; the National Institute for Industrial Accident Insurance; the prefectures; and the mayors of the municipalities where the different companies were based.

---

<sup>184</sup> Eurofound Italy (2009).

<sup>185</sup> Idem.



## References

- Eurofound, Italy (2009)  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry.htm>
- Eurofound, Italy (2009)  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry14.htm>
- Eurofound (2009), <http://www.eurofound.europa.eu/eiro/1999/03/feature/it9903244f.htm>
- Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organisation – Geneva, January 2010, [http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)
- The European Confederation of Private Employment Agencies (Eurociett):  
<http://www.euro-ciett.org/index.php?id=75>
- Union Network International – Europa (UNI – Europa),  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Italian Ministry of Labour, Health and Social Policies  
[http://www.lavoro.gov.it/Lavoro/AreaComunicazione/CampagneComunicazione/2009/20090628\\_Campagna\\_voucher.htm&prev=t&rurl=translate.google.bg&usg=ALkJrhGHWbvtiDGYs9InvTZZuaHMf8Qkw](http://www.lavoro.gov.it/Lavoro/AreaComunicazione/CampagneComunicazione/2009/20090628_Campagna_voucher.htm&prev=t&rurl=translate.google.bg&usg=ALkJrhGHWbvtiDGYs9InvTZZuaHMf8Qkw)
- Website of the Italian Ministry of Labour and Social Security:  
<http://www.lavoro.gov.it/lavoro/>

## LATVIA

### A. Departments/agencies responsible for tackling undeclared work

According to the ‘Eurobarometer survey on undeclared work’ of 2007, Latvia at 15% of the labour force, ranks the highest among the Central and East European countries for undeclared work. Other estimates suggest as much as 25% to 40% of GDP is generated in the ‘shadow economy’. For example, employers can claim that they only recruited and employed workers that very day and they will record their employment at the State Revenue Service (SRS) local office by the fifth day of the following month. As a result, employers can employ workers without employment contract and avoid paying state taxes. The issue of undeclared work or as it is termed ‘illegal work’ (*neregistrētā nodarbinātība*) is therefore a policy priority, especially in current conditions of constrained fiscal revenues during the economic downturn.

**The State Labour Inspectorate** (SLI) is responsible for the labour market regulation, while the **State Revenue Service** (SRS) is responsible for financial and tax issues. The SLI has had an Action Plan 2005 to 2009 aiming to improve administrative capacity in connection with the illegal employment. Together these are the lead institutions dealing with undeclared work. **The Ministry of Welfare** (MoW) has developed a set of key principles entitled Measures for the prevention of illegal employment in 2004. Again, in 2008, the MoW proposed new interdepartmental cooperation to improve operational capacity through a system of information exchange in cooperation with the SLI and the SRS.

Other agencies involved in combating undeclared work include the State Employment Agency, the State Social Insurance Agency, the police, the State Border Guard, the State Revenue Service, and the Citizenship and Migration Board (now re-organised).

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

### *Strategy*

Measures emphasising better cooperation between police, State Border Guard, labour inspectorates and other government agencies such as the State Revenue Service and the Ministry of Welfare, have been at the core of policy initiatives in Latvia. Practical realisation has proved more difficult.

### *Operations*

Visits to uncover illegal work are conducted by the SLI in conjunction with the State Revenue Service. The SLI co-operates with the State Border Guard in cases of investigation into possible illegal work involving migrant labour, including on-site investigations and detentions, although often on an *ad hoc* rather than routine basis.

### *Data sharing*

In 2007, the MoW held several meetings with representatives from the SLI, the SRS, the State Employment Agency, the National Social Insurance Agency, the Central Statistics Department, State Border Guard, the Special Assignments Minister for Electronic Government Affairs, and the Citizenship and Migration Board. However, MoW specialists jointly with other state institutions, concluded that the planned single employed person register from a cost point of view was not useful at that time. The MoW has since expressed support for reducing unregistered employment in high-risk sectors such as construction and forestry, by the introduction of a certificate in these fields, and providing for administrative liability for card-use. Certificates would contain the employee's photograph, name and job or business contract date. In principle, this would provide an adequate basis for inter-agency cooperation on data sharing.

## **C. Existing cross-national cooperations on undeclared work**

New cross-national objectives at Baltic level recently agreed include organising cooperation on regional level (meetings of regional inspectorates, exchange of inspectors) and organising meetings of experts/specialists representing different fields of activities in one of the Baltic countries on the issues including the prevention of illegal work.

Cooperation agreements concluded between the Inspectorate of Poland and the other Labour Inspectorate of the Baltic States. The substance of these cooperation agreements includes: information exchange on terms of employment; irregularities discovered and infringements identified during inspections; coordination of proceedings in case of work accidents; joint coordination of investigations to monitor compliance with the laws of both

countries concerned; annual meetings; and an exchange of information on national inspection systems (ILO 2010: 20).

## D. Measures to tackle undeclared work

The Key Principles 'Measures for Prevention of Illegal Employment' is a policy document developed by the Republic of Latvia Ministry of Welfare in 2004, aimed at decreasing illegal employment in the country. The Key Principles provide for measures in the labour sector (without tackling the financial issues of illegal employment) in four directions. Constant attention has been directed at limiting illegal employment in Latvia since adoption of the Key Principles. All legislative documents specified by the Key Principles have been adopted. Main objectives of the Key Principles have been reached.

The Key Principles determine four main directions of action (groups of measures).

1. To increase the administrative capacity of SLI and improve the illegal employment control
2. To improve cooperation between the controlling authorities
3. Public awareness campaigns
4. Educational campaigns for pupils and students

### References

- ILO (2010) *National Workshop on Labour Inspection and Undeclared Work*, Budapest, October 2009.
- Latvijas Republikas (2008) '*LM ierosina pilnveidot pasākumus neregistrētās nodarbinātības mazināšanai*' 12.02.2008. <http://www.lm.gov.lv/news/id/48>
- Šumilo, Ē. (2007) "*European union structural funds national programme "labour market research" project "ministry of welfare research"* Evaluation of Unregistered Employment, Nr.VPD1/ESF/NVA/04/NP/3.1.5.1./0001/0003. Riga, Ministry of Welfare. [http://www.lm.gov.lv/upload/darba\\_tirgus/darba\\_tirgus/petijumi/13\\_pet\\_en.pdf](http://www.lm.gov.lv/upload/darba_tirgus/darba_tirgus/petijumi/13_pet_en.pdf)

## LIECHTENSTEIN

### A. Departments/agencies responsible for tackling undeclared work

We have not been able to detect any specific departments or organisations that are responsible for tackling undeclared work in Liechtenstein. The labour inspectorate of Switzerland and Liechtenstein (*Arbeitsinspektorate der Schweiz und des Fürstentum Liechtensteins*) is active in both countries.<sup>186</sup>

---

<sup>186</sup> Website labour inspectorate of Switzerland and Liechtenstein.

The ***Amt für die Volkswirtschaft*** (AVW)<sup>187</sup> or the Office for the national economy is responsible for a multiplicity of tasks. Within AVW the department of industrial safety '*Der Fachbereich Arbeitssicherheit*' is responsible for the perception of employee protection interests in technical and use-specific regard. The most important request of the specialist area industrial safety is the protection of the life and the health of each individual employee with its vocational activity.

The Office for Social security (***Amt für Sociale Dienste***)<sup>188</sup> provides advice and support with respect to personal (family, interpersonal), social (place of work, residence) and financial (debt, low income) matters, provision of economic support, insofar as a person's income does not cover the minimum standard of living, budgeting advice and settlement of debts, help in finding/arranging employment / job placements, Support with respect to looking for and the provision of housing, social insurance information (unemployment insurance, health insurance, old-age and survivors, insurance and invalidity insurance, etc).

The Financial Control (***Finanzkontrolle***) is the highest specialised organ of the financial control and exercises its activities in the context by 1 January 2010 of the valid financial control law independently. The Financial Control is assigned to the federal state parliament.<sup>189</sup>

Liechtenstein employee federation (LANV) takes care of the protection of interests of employees in Liechtenstein. They represent all industries and occupations. The LANV sits down for fair wages, social security, improved conditions of work, equal treatment on the job and generally binding collective contracts.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

No information available.

## **C. Existing cross-national cooperations on undeclared work**

Although many cross-national cooperations between Liechtenstein and other countries exist in the context of tax compliance and the tax information exchange agreement ('TIEA') we have not been able to find any cross-border cooperation focusing on tackling undeclared work. Liechtenstein closely cooperates with Switzerland regarding labour inspection (*Arbeitsinspektorate der Schweiz und des Fürstentum Liechtensteins*) as mentioned before.

---

<sup>187</sup> Website office for the national economy Liechtenstein, AVW.

<sup>188</sup> Website Office for social security Liechtenstein.

<sup>189</sup> Website financial control Liechtenstein, *Finanzkontrolle*.

## D. Measures to tackle undeclared work

No information available

### References

- Website labour inspectorate of Switzerland and Liechtenstein <http://www.arbeitsinspektorat.ch/>
- Website Office for the national economy Liechtenstein, AWV, <http://www.llv.li/amtstellen/llv-avw-arbeit-arbeitssicherheit.htm>
- Website office for social security Liechtenstein, Amt für soziale dienste, [http://www.llv.li/pdf-llv-asd-unsere\\_dienstleistungen\\_engl-2.pdf](http://www.llv.li/pdf-llv-asd-unsere_dienstleistungen_engl-2.pdf)
- Website financial control Liechtenstein, Finanzkontrolle, <http://www.llv.li/amtstellen/llv-fk-home.htm>

## LITHUANIA

### A. Departments/agencies responsible for tackling undeclared work

In Lithuania, the reduction of undeclared work is considered as the main target for labour inspection action. The **State Labour Inspectorate** is assigned the function to carry out the control of undeclared work, as well as to coordinate activities of institutions carrying out control of undeclared work. Special undeclared work control and prevention measures were first developed in 2004. The Action Plan for the Control of Illegal Work was prepared by the **National Audit office** in 2005. In 2008 alone, 4,554 inspections on undeclared work were carried out (ILO 2010: 17). According to the Eurobarometer survey on undeclared work (2007) some 7% of the workforce is engaged in undeclared work, a figure which seems rather low, while estimates of the percentage of GDP generated in the shadow economy are around 20%. The so-called Russian crisis of 1999-2000, and the current economic downturn have reportedly seen significant increases in undeclared work.

### B. Cross-agency cooperation on strategy, operations and/or data sharing

#### *Strategy*

Better cooperation between police, border control, labour inspectorates and other government agencies have been at the core of policy initiatives in Lithuania according to the ILO report (ILO 2010). Coordination of undeclared work control was initiated in Lithuania in 2001.

A **Central Coordination Group** was established (full title – the Coordination Council of the Permanent Commission for Coordination of the Cooperation of State Economic and Financial Control and Law Enforcement Institutions). This was set up with the State Labour

Inspectorate as the lead agency under the Ministry of Social Security and Labour. The Central Coordination Group has sessions 3–4 times a year and annually sets priorities for undeclared work inspection. The main task of the Central Coordination Group is to analyse and highlight the prevalence of undeclared work in the country, predict and approve measures for control implementation and decrease undeclared work. At the regional level, control and prevention of undeclared work is handed by the regional coordination groups. The Central Coordination Group for the control of undeclared work is comprised of representatives from all institutions and organisations enforcing control of undeclared work in Lithuania, including:

- State Labour Inspectorate under the Ministry of Social Security and Labour;
- State Tax Inspectorate under the Ministry of Finance;
- State Social Insurance Fund Board (SoDra);
- Financial Crime Investigation Service under the Ministry of the Interior;
- Police Department under the Ministry of Interior.

In addition to the above, the following departments can participate in the work of the Central Coordination Group: Customs; State road transport inspectorate; Directorate-General of State Forests; Communications Regulatory Authority; Medical Audit Inspection; State Food and Veterinary Service, State Gaming Control Commission; State Territorial Planning and Construction Inspectorate. A new model involving greater regional decentralisation is proposed for the future based on territorial principle involving Coordinating Councils in each of the 10 counties with participation by the heads of controlling institutions divisions at the county level (*Mačiulaitis nd*).

### **Operations**

No special evaluation has been carried out in Lithuania regarding the impact of the creation of the coordination system for the control of undeclared work, based on expert analysis although claims for increased efficiency have been made. Joint undeclared work control raids take place, information exchange and educative action about disadvantages of the undeclared work.

### **Data sharing**

Collaboration on data sharing appears to be developing. Implementation of an Agreement on the Use of an Interdepartmental Tax Data Warehouse was claimed to be in progress, through which many state authorities would be able to exchange data. In addition, State Labour Inspectorate has entered into separate agreements with SoDra and the Lithuanian Labour Exchange; an agreement on data exchange was reportedly expected to be signed with the State Tax Inspectorate in the near future (European Foundation 2009).

## **C. Existing cross-national cooperations on undeclared work**

A Cooperation Agreement was signed in August, 2002 providing that each of the State Labour Inspectorates of the three Baltic countries manages the implementation of activities determined by the cooperation agreement for one year, in accordance with the rotary procedures. During the meeting was On 25-26 May 2006, attention was drawn to the problem of illegal employment. Countries shared their experience in order to take over the

best practice of neighbouring countries. New cross-national objectives at Baltic level recently agreed include organising cooperation on regional level (meetings of regional inspectorates, exchange of inspectors) and organising meetings of experts/specialists representing different fields of activities in one of the Baltic countries on the issues including the prevention of illegal work.

Cooperation agreements have been concluded between the Inspectorate of Poland and the Labour Inspectorate of the Baltic States. The substance of these cooperation agreements includes: information exchange on terms of employment; irregularities discovered and infringements identified during inspections; coordination of proceedings in case of work accidents; joint coordination of investigations to monitor compliance with the laws of both countries concerned; annual meetings; and an exchange of information on national inspection systems (ILO 2010: 20).

## D. Measures to tackle undeclared work

No information available

### References

- European Foundation for the Improvement of Living and Working Conditions (2006) *New rules proposed on illegal work*.  
<http://www.eurofound.europa.eu/eiro/2006/02/feature/LT0602103F.htm>
- European Foundation for the Improvement of Living and Working Conditions (2009) *Coordination of undeclared work control, Lithuania*.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/lt001.htm>
- Eurobarometer (2007) Survey on undeclared work.
- ILO (2010) National Workshop on Labour Inspection and Undeclared Work, Budapest, October 2009.
- Mačiulaitis, V. (nd) Presentation - Combating Illegal Work and Labour Inspectorate's Experiences. [http://www.vdi.lv/admin/files/dokumenti/Vilius\\_Maciulaitis.ppt](http://www.vdi.lv/admin/files/dokumenti/Vilius_Maciulaitis.ppt)
- SoDra State Social Insurance Fund Board under the Ministry of Social Security and Labour (2007). The report on the activities of the State Social Insurance Fund Board under the Ministry of Social Security and Labour of the Republic of Lithuania 2007.  
<http://www.sodra.lt/get.php?f.3427>
- State Labour Inspectorate, Republic of Lithuania website. <http://www.vdi.lt/index.php?-1533431191>

## LUXEMBOURG

### A. Departments/agencies responsible for tackling undeclared work

In Luxembourg, the **Interadministrative Unit for Combating Illegal Work** (CIALTI) was established in 2000. It is an informal unit intended to coordinate unannounced inspections in various field of economic activity.

The main party involved is the **Labour and Mines Inspectorate** (*Inspection du Travail et des Mines* – ITM), which is responsible for the unit's 'coordination'. In principle, the actions initiated by ITM do not directly intend to combat undeclared work: their primary purpose is centred on efforts to prevent unsafe working conditions and to protect workers' health.

ITM has the following aims:

- introducing the use of badges to control site access and hence ensure faster, more effective site monitoring;
- producing a white paper on illegal work, which will propose the introduction of a law against undeclared work;
- developing a database in order to centralise all information, with access restricted to a limited number of senior civil servants; at present, ITM controls work permits, but there is no database and no database access;
- creating a single contact point through a website, which will aim to make administrative procedures easier.

Over the years, ITM has classified its spot checks. In 2007, 11 major actions and three specific actions against undeclared work, as well as about 35 medium-scale actions and 181 minor inspections were carried out.

ITM complains of a lack of funding and is seeking to create a permanent structure for CIALTI.

### B. Cross-agency cooperation on strategy, operations and/or data sharing

The membership of inspection teams varies with the Labour and Mines Inspectorate as the driving force and coordinator of this informal unit. CIALTI can count on 200 officials from up to eight government institutions if so required.

The actors involved in each action vary depending on the nature and scale of the action, but can include officers from:

ITM; Customs and Excise Administration (*Administration des Douanes et Accises*) – motorised and motorcycle units; Grand-Ducal Police; Anti-Fraud Service within the Administration of Registration and Property (*Administration de l'Enregistrement et des Domaines*); Employment Administration (*Administration de l'Emploi* – ADEM); Occupational Health Division of the Ministry of Health (*Ministère de la Santé*); Membership Service of the Common Social Security Centre (*Centre commun de la sécurité sociale*).



### C. Existing cross-national cooperations on undeclared work

Taking into account the increasing mobility and circulation of workers and services across European borders, a number of ad hoc campaigns covering joint inspection activities are being carried out in a cross-border manner, most notably in border zones. Labour inspectorates of Luxembourg invite German control bodies (labour inspectorate and financial inspectorates) to perform joint cross-border inspections of construction sites where workers are posted.

### D. Measures to tackle undeclared work

ITM is engaged in an ongoing process of refining and developing its inspection tools in order to reduce illegal employment in Luxembourg. Thus, it is stepping up its proactive activities in the construction sector by raising the awareness among project owners based outside the country before work starts in Luxembourg. Also, procedures were introduced in 1998 that apply to all domestic workers to help reduce the administrative burden on employers and encourage them to employ domestic help legally.

Another useful initiative involves enhancing the coordination of inspection strategies and operations, including data sharing.

There is a shortage of information about the scale of undeclared work in Luxembourg. However, the inspections initiated by ITM certainly demonstrate that this type of work exists. They also have the effect of highlighting efforts to combat undeclared work and thus play an awareness-raising role.

Measures of this type are obviously transferable. Unannounced workplace inspections are in fact practised in other countries. However, what seems to be specific to Luxembourg is the way in which officers from a variety of administrative bodies are mobilised on a large scale, as well as the media coverage given to operations.

#### References

- ILO (2009) Labour inspection and labour administration in the face of undeclared work and related issues of migration and trafficking in persons: Practices, challenges and improvement in Europe towards a labour inspection policy.
- ILO LAB/ADMIN (2009) *The global economic and social crisis and its impact on labour inspection systems*. Geneva: ILO
- Website Eurofound, Luxembourg, <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/lu002.htm>
- Labour and Mines Inspectorate (ITM), Posting of Workers and Illegal Work Department, Website: <http://www.itm.lu/detachement-de-travailleurs>

## MALTA

### A. Departments/agencies responsible for tackling undeclared work

#### **Benefit Fraud and Investigation Directorate to the Ministry of Social Policy.**<sup>190</sup>

In response to the growing abuse of social security benefits, the Maltese government established the **Benefit Fraud and Investigation Directorate** in 2005. The central aim of the directorate is to investigate fraudulent practices, including abuse of unemployment benefits. This initiative rests on a joined-up approach among various stakeholders capable of providing essential information regarding possible abuses, including abuse by those who are receiving social benefits while doing undeclared work. The Benefit Fraud and Investigation Directorate regularly and closely monitors all financial data that is uploaded to the computer system operated by the **Department of Social Security**. This data is obtained from local financial institutions and used to suspend the claims of beneficiaries receiving non-contributory means tested benefits soon after their financial means exceed the applicable threshold. Further investigations are conducted in cases where the claimants register a sudden substantial increase in their financial assets. Fraudulent practices are reported to the directorate through various means, including by free-phone, email, letter or through other documentation. Requests may also be generated by the Department of Social Security.

**Employment and Training Corporation (ETC).** The Employment and Training Corporation<sup>191</sup> is Malta's public employment services organisation set up in 1990 to assist employers and enable registrants to be more employable. It keeps a register of employed and unemployed persons. Through this registration process one may also be entitled to certain benefits. The Employment and Training Corporation undertook a number of initiatives, to discourage and curb undeclared work.

**Employment and Training Corporation (ETC) - Law Compliance Unit (LCU).** The Law Compliance Unit's role is to track all forms of undeclared work – Foreigners without employment licence; under-age; persons working while receiving unemployment benefits or disability aid; and full-time and part-time employments not declared. Persons who are found working while receiving unemployment benefits are de-listed from the unemployment register and can only re-register after they spend at least six months in continuous declared employment. Harsher measures are being contemplated for the near future for abusers who are found to be infringing the law repeatedly.

Since 2008 the Law Compliance Unit has computerised its whole operations, organised joint inspections with the Immigration Police on a regular basis with regards to illegal foreigners, and after consultations with the Law Courts, regular monthly court sessions were ascertained.

---

<sup>190</sup> Website of the Benefit Fraud and Investigation Directorate of Malta to the Ministry Social Policy.

<sup>191</sup> Website of the Employment and Training Corporation in Malta.

The **Ministry of Education, Employment and Family**<sup>192</sup> and its **Department of Industrial and Employment Relations**. The Ministry has as objective the adjustment of social protection systems to parallel active labour market policies, as well as vigorously acting against the abuse of welfare benefits. The **Department of Industrial and Employment Relations** aims to protect the interests of parties in employment contracts while actively promoting a healthy employment relationship in a spirit of social partnership, and to contribute towards stable industrial relations. It is responsible for regulating employment contracts in an equitable manner so as to ensure that rights and obligations pertaining to each party in the contact are observed.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The EU's 2003 employment guidelines (EU0308205F) include a guideline (no. 9) on 'transforming undeclared work into regular employment'. In this context, a committee made up of representatives of the Employment and Training Corporation (ETC), the Ministry of Social Policy, the Ministry of Finance and Economic Services and the Ministry of Education was set up in August 2003 in order to draw up and plan a **national campaign against undeclared work**. This committee is responsible for the exchange of data to help each organisation fight undeclared work, tax evasion or fraud in social benefit claims. A total of 125 people were found to be working illegally while registering for employment between January and July 2003.<sup>193</sup>

## **C. Existing cross-national cooperations on undeclared work**

Malta participates in the **Union Network International – Europa (UNI – Europa)**.<sup>194</sup> This organisation, together with the **Confederation of European Security Services (CoESS)**<sup>195</sup>, has presented a joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>196</sup>

In 2008 UNI signed a Memorandum of Understanding with the International Confederation of Private Employment Agencies (CIETT) that has set up a partnership to promote areas of common concern, including social dialogue on issues for temporary workers, protecting the rights of migrant workers and combating undeclared employment.

---

<sup>192</sup> Website of the Ministry of Education, Employment and Family of Malta.

<sup>193</sup> Website Eurofound, Eironline.

<sup>194</sup> Website Union Network International – Europa (UNI – Europa).

<sup>195</sup> Website of the Confederation of European Security Services (CoESS).

<sup>196</sup> UNI-Europa and CoESS (2009).

It also takes part in the **Commonwealth Association of Tax Administration (CATA)** since 1978. The purpose of the Association is to promote the improvement of tax administration in all its aspects within the Commonwealth with particular emphasis on developing countries. To this end the activities of the Association may include: holding meetings of technical and administrative personnel in tax administration for the exchange of ideas and experiences; organising seminars, workshops and training courses on aspects of tax administration; collecting, analysing and disseminating information on tax administration; providing directly or, collaborating with, and generally facilitating, the work of bilateral and multilateral agencies providing technical assistance and research facilities in the field of tax administration; generally carrying out functions related to the overall improvement of the capabilities of tax administrations through functional cooperation between and among Commonwealth countries.<sup>197</sup> The Commonwealth Association of Tax Administrators analyses the phenomenon of informal economy and undeclared work and in 2006 published the report: *Tax evasion and avoidance: Strategies and initiatives for tax administrators*, London, Commonwealth Association of Tax Administrators, 2006.

The Employment and Training Corporation (ETC) is a member of the **World Association of Public Employment Services**.

Malta has no data matching agreements with other Member States on the field of social security.<sup>198</sup>

## **D. Measures to tackle undeclared work**

### **Information campaign**

In 2006, the **Employment and Training Corporation's Inspectorate Unit** launched a public information campaign on undeclared work. Since the unit had limited resources, it was difficult to cope with the influx of reports from the public, some of which turned out to be false. LCU also encountered problems due to its limited powers in disciplining persons found to be working in the informal economy, especially on construction sites and other outdoor work. For example, members of the unit were authorised to go on sites to check cases of undeclared work but they did not have the authority to detain workers. This meant that irregular workers could escape from the scene and members of the LCU could not do anything about it, as police authority would be needed to detain them.

In 2009 the Law Compliance Unit has provided facility for reporting infringements through its website apart from the 24 hour freephone availability. An average of 100 anonymous reports are received every month.

---

<sup>197</sup>Website the Commonwealth Association of Tax Administrators.

<sup>198</sup> Ad Hoc Group on Combating Fraud and Error, Admin Commssion.

### **Obligatory training for unemployed persons<sup>199</sup>**

The **Employment and Training Corporation (ETC)** has undertaken a variety of initiatives to identify abuse of the social security system and reduce the incidence of undeclared work. In particular, ETC found that compulsory courses for unemployed people can serve as an early warning signal to identify abusers of the system who register for work and receive unemployment benefits while also working in the informal economy. The measure entails stricter enforcement of the requirement for persons to attend compulsory training courses assigned to them by their employment adviser. Persons who arbitrarily refute training opportunities or who do not attend their assigned training courses without a valid justification will be struck off the unemployment register. New registrants are also obliged to attend job search skills courses and job clubs to help them find a job. The client can appeal to the **National Employment Authority** and can be reinstated on the register if their appeal is upheld. However, in cases where a person appeals after being found working while registering for work, by the Law Compliance Unit, the success rate of the unit stands at 90%. Compulsory training courses may be a more effective way of curbing abuse of the system among young registrants than among long-term unemployed persons. This is because young registrants have to attend more obligatory courses, such as job search and job club courses, as well as literacy courses if they are also illiterate. Tackling cases of undeclared work among long-term unemployed people requires different measures and obligatory courses alone may not be so effective in the long run with this category of unemployed persons.

### **Media campaign to curb undeclared work<sup>200</sup>**

The **Law Compliance Unit of the Employment and Training Corporation (ETC)** in Malta launched a public information campaign on undeclared work in 2006, which received a large response. ETC found that 1,271 people were claiming unemployment benefits while also working informally.

Although no formal campaign was conducted after 2006, periodical and regular press releases were issued indicating success performances, both in the number of persons found working while registering and in Law Courts results. Besides, personnel from the units participated in both radio and television slots. With every case that this happened, the number of incoming hotlines increased every time. A formal information campaign is now being planned for late 2010.

### **References**

- Website Eurofound, Ireland  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry18.htm>
- The Commonwealth Association of Tax Administrators  
<http://www.catatax.org/resources/our-mission>
- Union Network International – Europa (UNI – Europa),  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Benefit Fraud and Investigation Directorate of Malta to the Ministry Social Policy

---

<sup>199</sup> Website Eurofound, Ireland.

<sup>200</sup> Idem.

<http://www.msp.gov.mt/services/subpages/content.asp?id=1918&heading=Social%20Benefits%20-%20Departments>

- Website of the Employment and Training Corporation in Malta  
<http://www.etc.gov.mt/>
- Website of the Ministry of Education, Employment and Family of Malta  
<http://www.mfss.gov.mt/>
- Eironline - <http://www.eurofound.europa.eu/eiro/2004/01/feature/mt0401102f.htm>
- Website of the Confederation of European Security Services (CoESS) -  
<http://www.coess.org/about.htm>
- UNI-Europa and CoESS (2009) *UNI-Europa and CoESS joint position against undeclared work in the private security sector* -  
[http://www.coess.org/documents/undeclared\\_work\\_051114\\_en.pdf](http://www.coess.org/documents/undeclared_work_051114_en.pdf)
- Ad Hoc Group on Combating Fraud and Error, Admin Commission.

## NETHERLANDS

### A. Departments/agencies responsible for tackling undeclared work

**Ministry of Social Affairs and Employment** (*Ministerie van Sociale Zaken en Werkgelegenheid*)

The **Social Intelligence and Investigation Service** (*Sociale Inlichtingen en Opsporingsdienst* – SIOD) is a special investigation unit that focuses on employment-related unlawful conduct like systematic illegal employment, fraud with labour-related subsidies, posting fraud, the non-payment of premiums and other organised forms of benefit fraud. The SIOD takes on a fraud case if the estimated value of the fraud is at least € 34.000 and the use of the possibilities of special investigative has a clear added value.

The **Labour inspection** (*Arbeidsinspectie*) supervises working conditions such as working hours, minimum wage and minimum holiday and labour safety. They are also responsible for supervision of the Alien Employment Act (*Wet Arbeid Vreemdelingen*). This act prohibits employers and individuals to employ foreigners who do not have free access to the Dutch labour market, without a valid work permit. Free access to the Dutch labour market is restricted to persons with Dutch nationality, the nationality of one of the countries of the European Economic Area (EEA) and Switzerland (except Bulgaria and Romania). Furthermore the Labour inspection supervises the law regarding labour allocation through intermediaries and the law on Economic Crimes.

**Municipalities** are responsible for the execution of the Employment and Assistance Act (*Wet Werk en Bijstand*). This responsibility includes providing recipients with a benefit on a minimum level and activation towards work. The municipalities have a financial responsibility for their own annual budget. Therefore they have an incentive to prevent and tackle undeclared work by welfare recipients.<sup>201</sup>

---

<sup>201</sup> SZW *Handhavingsprogramma* 2007 – 2010.

The **International Fraud Information Bureau** (*Internationaal Bureau Fraudeinformatie – IBF*) is a division of **Social Security Agency UWV** (*Uitvoeringsinstituut Werknemersverzekeringen*). The IBF is a knowledge centre for the prevention of cross-border fraud and co-ordinates cross-border exchange of fraud information within the field of social security. IBF does not investigate fraud, but facilitates for its clients, such as municipalities, labour offices, institutes for old age pensions and child benefit, and similar organisations abroad. The IBF provides advice on fraud identification, handles requests for mutual assistance, and provides information on the Dutch social security system and international legislation and on trends related to international fraud.<sup>202</sup>

The **Social Insurance Bank (SVB)** is responsible for the implementation of national social insurance schemes, such as the General Old Age Pensions Act, the General Surviving Relatives Act and the General Child Benefit Act. Under the Act Limitation of the Export of Benefits (BEU), benefits can only be paid abroad if the recipient lives in a country with which the Netherlands has concluded a convention on the control of those benefits. A central authority in the country is responsible for the accuracy and reliability of controls. The Monitoring Team Abroad (CTB) monitors if commitments made under the Act BEU are fulfilled. CTB conducts enforcement research abroad by visiting both customers and local authorities.<sup>203</sup>

**Labour Unions** in the Netherlands play an explicit role in achieving that employers do not hire illegal workers or pay foreign workers less than the wages negotiated in the collective labour contracts. So, unions act as a partner of the government in preventing and combating undeclared work<sup>204</sup>.

The key tasks of the **tax office** (*Belastingdienst – BD*) are: levying and collecting taxes, detecting fiscal, economic and financial fraud, payment of income-related benefits for childcare, rent and care, monitor the import, export and transit of goods, monitor compliance with the tax laws and regulations. The tax office fights tax evasion (including UDW) by exercising supervision. The review by the Tax Department has various manifestations. For example, tax returns are checked on completeness and companies are visited. The Tax Office co-operates with other enforcement bodies, such as municipalities, Labour Inspection and SIOD) in intervention teams. Employees of the Tax Office don't have the authority to enter a house without the consent of the occupier. Therefore it is hard to determine if UDW is taking place in an private residence. It is possible to pinpoint black income by checking administrations and tax returns.<sup>205</sup>

An important instrument against undeclared work and illegal employment is the so-called '*eerstedagmelding*' (first day notice). Employers need to inform the tax office before an employee starts working. Using this information, authorities can audit employers on

---

<sup>202</sup>

[http://english.szw.nl/index.cfm?menu\\_item\\_id=14649&hoofdmenu\\_item\\_id=14634&rubriek\\_item=392440&rubriek\\_id=392023&link\\_id=35416](http://english.szw.nl/index.cfm?menu_item_id=14649&hoofdmenu_item_id=14634&rubriek_item=392440&rubriek_id=392023&link_id=35416).

<sup>203</sup> *Integrale rapportage handhaving 2008.*

<sup>204</sup> <http://www.eu-employment-observatory.net/resources/reviews/NationalArticles/NetherlandsUDW2007.pdf>.

<sup>205</sup> *Tweede Kamer, vergaderjaar 2007–2008, Aanhangsel van de handelingen. 0708tkkvr2200.*

compliance with laws and regulations. The detection of unreported persons is also important to combat violations of the benefit agencies and municipalities.<sup>206</sup>

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

Labour inspection, tax office, UWV, municipalities, SIOD, SVB and the police work together in **intervention teams**. The teams are used to restore a legitimate situation in a (business) district by adopting a punitive approach to illegal employment, benefit fraud and evasion of taxes and social contributions. The teams are implementing controls based on risk assessments. The strength of this form of maintenance lies in the joint tackling a fraudulent organisation or civilian. The actions of the teams also produce financial income in the form of fines, subsequent fines and reclaimed benefits.<sup>207</sup>

**Covenant Labour inspection - SIOD – Tax Office:** Within the framework agreement these organisation share data, information, knowledge and understanding about the compliance level at the Labour Market (risk characteristics, risk profiles and risk analysis) and carry out joint enforcement activities.<sup>208</sup>

**Covenant AI Labour Inspection- SIOD – IND:** The AI, the SIOD and the Immigration and Naturalisation Service (IND) formalised their cooperation in a covenant in November 2007. They investigate offenses related to the Alien Employment Act (WAV) and Knowledge Migrant Scheme.

The existing **Regional Coordination point Fraud** are used to bundle knowledge and expertise at a regional level. This knowledge is offered to the municipalities in the area. Particularly small and medium municipalities benefit from this function of the coordination points. They often have less capacity to adapt enforcement tools to local needs and to develop local enforcement plans.<sup>209</sup>

All the signals that SIOD receives from external parties about the violation of rules that occur within the Social Affairs and Employment-domain, are bundled in **Information Node SZW**. Enforcement partners use this node to pass on reports and tips they have received and have taken on in order to determine whether there is multiple fraud. Additionally, the information is supplemented with semi-open sources and open sources like information of the Chamber of Commerce, Land Registry, CBS and open information from the Internet.<sup>210</sup>

**Tax – Municipalities:** In many municipalities where there is an enforcement deficits covenants have been made with the Tax-office. The covenant encompasses cooperation and exchange of information regarding the approach to 'public sanctuaries'. The initiative to

---

<sup>206</sup> SZW *handhavingsprogramma* 2007 – 2010.

<sup>207</sup> *Integrale rapportage Handhaving*, 2008.

<sup>208</sup> *Convenant Belastingdienst – Arbeidsinspectie – SIOD, Deelconvenant Arbeidsmarkt*.

<sup>209</sup> SZW *handhavingsprogramma* 2007 – 2010.

<sup>210</sup> SZW *handhavingsprogramma* 2007 – 2010.



combat sanctuaries located in the municipalities. The police and OM are also covenant partners.<sup>211</sup>

### C. Existing cross-national cooperations on undeclared work

#### **Memoranda of Understanding:**

- Netherlands – Portugal (2007)
- Netherlands – Bulgaria (2008)
- Netherlands – Romania (current negotiations in 2009)
- Netherlands – UK
- Netherlands – Slovakia
- Netherlands – Czech Republic

#### **Joint declaration:**

- Netherlands – Poland (2008)

#### **Bilateral agreements:**

- Netherlands – Germany (in 2008 in preparation)
- Netherlands – Belgium (in 2008 in preparation)
- Netherlands – France

At the EU level, the Administrative Commission on social security for migrant workers in 2008 set up an Ad Hoc Group 'on Combating Fraud and Error'. This group has made recommendations to improve cooperation and mutual assistance among the Member States to strengthen the fight against abuse and misuse in cases that fall under Regulation 1408/71. The recommendations seek to maintain an annual report on initiatives in Member States, monitoring and ensuring timely and accurate information and mutual assistance in information exchange.

UWV and SVB have regular consultations with foreign liaison agencies to execute agreements in Treaties and EU regulations. UWV performs data matching with social security agencies in Spain, UK and Sweden. On exceptional basis data have been exchanged with Hungary and Ireland.

SIOD – *Finanzkontrolle Schwarzarbeit* in Germany. Agreement to transmit reports about Dutch people that work in Germany to the Information Node SZW (2008).

SIOD – Europol. SIOD uses the services that the Dutch Desk of Europol provides for exchanging international detection information. On behalf of the Dutch Desk *BOD'en* is a liaison officer to Europol seconded.

---

<sup>211</sup> *Bedrijfsplan Belastingdienst 2006-2010.*

## D. Measures to tackle undeclared work

Joint Inspections Teams are frequently formed, with Labour Inspection, taxes, police, customs and social security agencies. These teams focus on specific economic sectors, like flower industry, or concentrate on particular neighbourhoods.

### References

- Bedrijfsplan Belastingdienst 2006-2010
- Tweede Kamer, vergaderjaar 2004–2005, Aanghangsel. 0405tkkvr257
- SZW Handhavingsprogramma 2007 – 2010  
[http://english.szw.nl/index.cfm?menu\\_item\\_id=14649&hoofdmenu\\_item\\_id=14634&rubriek\\_item=392440&rubriek\\_id=392023&link\\_id=35416](http://english.szw.nl/index.cfm?menu_item_id=14649&hoofdmenu_item_id=14634&rubriek_item=392440&rubriek_id=392023&link_id=35416)
- Integrale rapportage handhaving 2008  
<http://www.eu-employment-observatory.net/resources/reviews/NationalArticles/NetherlandsUDW2007.pdf>
- Tweede Kamer, vergaderjaar 2007–2008, Aanghangsel van de handelingen. 0708tkkvr2200
- Convenant Belastingdienst – Arbeidsinspectie – SIOD, Deelconvenant Arbeidsmarkt

## NORWAY

### A. Departments/agencies responsible for tackling undeclared work

The OECD reports shares of ‘black’ hours in total hours are fairly low, although they reach 4% in Denmark and Norway (OECD 2004) while the more recent European Foundation study reports 5% (Williams and Renooy 2009). The lead agencies are the **Norwegian Labour Inspectorate** (*Arbeidstilsynet*), the **Norwegian Tax Administration** (*Skatteetaten*) and the police. In operations, the police is also involved.

### B. Cross-agency cooperation on strategy, operations and/or data sharing

#### Strategy

The government lists coordinated inspections as one of the prioritised measures in their second action plan against social dumping (Norwegian Ministry of Labour and Social Inclusion website). Different public regulatory bodies, , the tax authorities, the Labour Inspection Authority and the police, have for a number of years carried out coordinated efforts against social dumping and undeclared work (*Samordnede tiltak mot svart arbeid*). The labour inspectorate has been assigned extended responsibilities due to regulations providing for the general application of national collective agreements in the construction sector.

### **Operations**

In carrying out these inspections, the tax authorities, the Labour Inspectorate and the police have worked together. In recent years, the construction sector has been targeted, among others, due to considerable problems witnessed in connection with the influx of foreign companies and employees in the sector. It is recognised that it is difficult to monitor a sector with such a large number of foreign companies, posted workers on short-term employment contracts, as well as a complex structure of contractors, subcontractors and temporary work agencies. Therefore, a number of measures are introduced in order to improve monitoring and control of the construction sector including the introduction of an extensive system of ID cards (European Foundation 2009). All undertakings that perform work at building and construction sites, both Norwegian and foreign, are required to provide their employees with ID cards. The purpose of this is to identify both the employee and the company the individual works for. Foreign workers employed by foreign companies at assignments at building and construction sites in Norway must also carry ID cards. This also applies to short-term assignments (*Arbeidstilsynet* website). Instructions regarding ID cards are also posted in Lithuanian and Polish languages. The introduction of the ID cards in 2008 has had the support of both the employers' associations and the trade unions.

Similar control measures have also been carried out in the hotels and restaurants sector, although targeting food safety as well as employment conditions and tax issues. Sectors or companies with a high propensity for non-compliance are targeted in surprise inspections (European Foundation 2009). Coordinated actions are planned and implemented by bodies at local and regional level of the relevant authorities, either the Norwegian Tax Authority and/or the Labour Inspectorate, often in cooperation with the local police authority, the local office of the Norwegian Labour and Welfare Administration (NAV) and other organisations with the objective of combating social dumping, substandard wages and working conditions, as well as breaches of the tax regulations and undeclared work (European Foundation 2009).

### **C. Existing cross-national cooperations on undeclared work**

Norway has agreements with Sweden and Finland on cooperating in the field of social security through data exchange and data matching.

### **D. Measures to tackle undeclared work**

In order to facilitate control measures, and to prevent undeclared work and social dumping, the Norwegian government has for a number of years been working on laws and regulations which require employers in the construction industry to supply all their employees with *identity (ID) cards*. The ID cards were introduced at the beginning of 2008 and are issued by the Norwegian Labour Inspection Authority (*Arbeidstilsynet*).

The Confederation of Norwegian Enterprise (*Næringslivets Hovedorganisasjon* – NHO) and its branch in the services sector – the National Federation of Service Industries

(*Servicebedriftenes Landsforening* – SBL), also known as NHO Service – have developed a certification scheme for companies that are ‘clean’ in terms of their business practices. In order to be certified, the companies must have a collective agreement with the Norwegian Union of General Workers (*Norsk Arbeidsmandsforbund* – NAF), which is the trade union organising employees in the cleaning industry. The project is a voluntary arrangement, with the aim of branding the participating enterprises as being ‘clean’ and decent. A variety of regulatory bodies are involved in the efforts to combat undeclared work. Serious health and safety issues, as well as substandard wages and working conditions, are often seen in sectors of the economy and companies that depend on undeclared work. For some years, the Norwegian Labour Inspection Authority (*Arbeidstilsynet*), the Norwegian Tax Administration (*Skatteetaten*) and the police have carried out coordinated inspections in the construction sector. Similar measures have also been carried out in the hotels and restaurants sector, although targeting food safety as well as employment conditions and tax issues.

### References

- Arbeidstilsynet website. Identity cards in the building and construction industry (ID-cards). [http://www.arbeidstilsynet.no/fakta.html?tid=96288#Hvem\\_m\\_ha\\_ID-kort](http://www.arbeidstilsynet.no/fakta.html?tid=96288#Hvem_m_ha_ID-kort)
- OECD (2004) Annexes 1 to "*Informal Employment and Promoting the Transition to a Salaried Economy*", Chapter 5 of the OECD Employment Outlook 2004. <http://www.oecd.org/dataoecd/5/8/31932544.pdf>
- European Foundation (2009) Coordinated inspections against social dumping and undeclared work, Norway. European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/no001.htm>
- European Foundation (2009) ID cards in construction industry, Norway. European Foundation for the Improvement of Living and Working Conditions, Dublin. <http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/no003.htm>
- Norwegian Ministry of Labour and Social Inclusion, *The government's action plan against social dumping*, Oslo, 2006, available online (summary in English) at: <http://www.regjeringen.no/en/dep/aid/Topics/The-working-environment-and-safety/social-dumping/534938.html?id=534938>.
- Williams, C.C. and Renooy, P. (2009) *Measures to Combat Undeclared Work in 27 European Union Member States and Norway*, European Foundation for the Improvement of Living and Working Conditions, Dublin.

## POLAND

### A. Departments/agencies responsible for tackling undeclared work

**The National Labour Inspectorate (PIP)** is the major state agency responsible for labour law enforcement and, since **1 July 2007**, employment legality control. In performing these activities, The National Labour Inspectorate is entitled to the cooperation and assistance of other institutional bodies specifically named by the Ordinance of the Prime Minister regarding

cooperation of various institutions with the National Labour Inspectorate on controlling health and safety and employment legality, including tackling undeclared work.

**Ministry of Labour and Social Policy** (*Ministerstwo Pracy i Polityki Społecznej – MpiPS*)<sup>212</sup>.

The Ministry coordinates the **First Business Programme** promoting entrepreneurship and self-employment among young people and thus aiming to indirectly legitimise undeclared work. The **Department of Labour Market** to the Ministry of Labour and Social Policy is responsible for shaping and implementing solutions for the labour market, promotion of employment and development of labour market institutions as well as initiation of and support to public employment services. The **Department of Social Assistance and Integration** to the Ministry of Labour and Social Policy is responsible for determining the directions in the area of social assistance, drawing up the relevant standards and monitoring the solutions used. The **Department of International Cooperation** to the Ministry of Labour and Social Policy is responsible in the area of labour and social policy for coordinating issues related to the membership in the European Union and, save for issues that remain within the competencies of other departments of the Ministry, for coordinating international, bilateral and multilateral cooperation, visits abroad of the Ministry's employees and coordination of conferences on international cooperation.

**District Employment Offices** (*Powiatowe Urzędy Pracy – PUP*)<sup>213</sup>. In the implementation of a regulation, allowing employment of migrant workers without work permits up to six months within twelve consecutive months, the employment offices are responsible for the registration of 'declarations of intent' i.e. legal work seekers submitted by employers wishing to employ a foreign worker, while the diplomatic service is charged with issuing particular types of visas with a right to work to foreign citizens named in the declarations of intent.

Other relevant institutions:

**The Labour Fund** (*Fundusz Pracy*) was established in 1933. It is the institution, whose purpose was to mitigate the effects of unemployment. Since 1991, it remains under the jurisdiction of the Ministry of Labour and Social Policy. Its budget is formed by compulsory contributions paid by employees.

**Social Security Institute** (*Zakład Ubezpieczeń Społecznych – ZUS*) – the national social security institution cooperates with PIP and the Customs Service in combating illegal employment. In particular, the **Social Security Institute** is responsible for ensuring that employers fulfil their obligation to transfer to the state the social security contributions deducted from their employees' gross earnings.

**Fiscal Control** (*Kontrola Skarbowa*). This institution comprises a network of Fiscal Control Offices (*Urzędy Kontroli Skarbowej*), responsible for revenue control. In particular, the Fiscal Control inspects and prosecutes cases of tax evasion in business operations. As unregistered employment results in non-payment of taxes, the Fiscal Control also becomes involved in combating undeclared work

**Customs Service** (*Służba Celna*) – the new National Labour Inspectorate Act also amended the Customs Service Act of 1999. Currently, the Customs Service is entitled to control the legality of employment of foreign citizens employed not only by companies, but also by other employers, including households. In performing their duties concerning employment control,

---

<sup>212</sup> Website of the Polish Ministry of Labour and Social Policy.

<sup>213</sup> Website of the Polish Public Employment Services.

Customs Service officers are to cooperate with other administrative bodies such as the Border Guard, the police, the National Labour Inspectorate and the social security institution.

**Border Guard** (*Straż Graniczna* – SG) – in particular, under the regulations of the Foreigners Act, the Border Guard is charged with duties such as the apprehension and expulsion of illegal foreign workers. A foreign citizen is deported by way of an administrative decision if apprehended while performing illegal work. The Border Guard cooperates with the National Labour Inspectorate in this area.

**Police** (*Policja*) – the police force also holds responsibilities in the area of employment control, as stipulated by the Criminal Code. The latter explicitly forbids practices in breach of employee rights, defining them as criminal offences, in particular those violating employees' social security rights.<sup>214</sup>

## B. Cross-agency cooperation on strategy, operations and/or data sharing

### Coordinated approach to fight against undeclared work<sup>215</sup>

In 2007, new legislation regarding the **National Labour Inspectorate (PIP)** came into force in Poland. Under the law, PIP is the central institution responsible for the control of legality of employment. A number of other administrative bodies are **to cooperate with** the National Labour Inspectorate in this regard. Among the main violations found are avoiding or delaying social security payments through undeclared work or the misuse of employment trial periods or civil contracts. Among the most significant legislative initiatives was the amendment of the National Labour Inspectorate Act (*Ustawa o Państwowej Inspekcji Pracy*) in 2007. The amendment explicitly assigned employment control prerogatives previously exercised by other authorities – especially the regional administration at provincial (*voivodship*) level – to the **National Labour Inspectorate**. This strategy was adopted as a means of coordinating the fight against undeclared work (*koordynacja walki z pracą nierejestrowaną*). Nevertheless, this network also includes other institutions responsible for specific tasks in this regard, thus supporting PIP in combating undeclared work. All of the main actors involved are outlined below.

- **National Labour Inspectorate** (PIP);
- **Customs Service** (*Służba Celna*);
- **Border Guard** (*Straż Graniczna* – SG);
- **Social Security Institution** (*Zakład Ubezpieczeń Społecznych* – ZUS);
- **Fiscal Control** (*Kontrola Skarbowa*);
- **Police** (*Policja*).

### Employment legality controls<sup>216</sup>

The **employment legality controls** measure was based on legislation introduced in 1995 and is still ongoing. It is implemented by **government regional offices** throughout Poland.

---

<sup>214</sup> Website Eurofound (2009).

<sup>215</sup> Website Eurofound, Poland.

<sup>216</sup> Website Eurofound.

The main actors that coordinate in the implementation of the initiative are: the **regional offices of the government** (so-called *voivodship* offices), which employ inspectors; **customs officers** (with regard to the illegal employment of foreigners); the **State Work Inspectorate** (*Panstwowa Inspekcja Pracy* – PIP); the **Social Insurance Office** (*Zakład Ubezpieczeń Społecznych* – ZUS); the **police**; **trade unions**; **employer organisations**; the **Ministry of Labour and Social Policy** (*Ministerstwo Pracy i Polityki Społecznej* – MPiPS); and **public employment offices**, which monitor the functioning of controlling offices. The heads of the inspection units also try to influence the general public through the mass media, in the form of awareness-raising campaigns – for example, by informing people about the risks of working abroad without a prior employment contract guaranteed by a certified employment agency; they also compile online publications issuing guidelines for employees. Voluntary Work Teams initiative

**Voluntary Work Teams.**<sup>217</sup> The Voluntary Work Teams<sup>218</sup> (*Ochotnicze Hufce Pracy* – OHP) function as a state-run budgetary unit supervised by the **Minister of Labour and Social Policy**. They provide educational activities for teenagers and young people aged below 25 years who have not completed their formal education and need to combine school with vocational training. Ultimately, the aim of the Voluntary Work Teams is to prevent unemployed young people from taking up undeclared work. The Voluntary Work Teams represent a relatively old institution in Poland promoting youth education. In 2004, the Voluntary Work Teams structure was transformed into a labour market institution, based on the Act on Employment Promotion and Labour Market Institutions. The actors involved in the work of the Voluntary Work Teams include: **various** Voluntary Work Teams **centres, the Ministry of Labour and Social Policy, craft chambers, local governments and employers.**

### C. Existing cross-national cooperations on undeclared work

Poland participates in the **Union Network International – Europa** (UNI – Europa).<sup>219</sup> This organisation, together with the **Confederation of European Security Services** (CoESS)<sup>220</sup>, has presented a joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>221</sup>

---

<sup>217</sup> Idem.

<sup>218</sup> Website of the Voluntary Work Teams.

<sup>219</sup> Union Network International – Europa (UNI – Europa).

<sup>220</sup> Website of the Confederation of European Security Services (CoESS).

<sup>221</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector - [http://www.coess.org/documents/undeclared\\_work\\_051114\\_en.pdf](http://www.coess.org/documents/undeclared_work_051114_en.pdf).

It is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**.<sup>222</sup>

The **Polish National Labour Inspectorate** serves as a **liaison office** under Directive 96/71/EC on facilitating the enforcement of working conditions and the identification of valid labour contracts between posted workers. It provides for an obligation of information sharing and cooperation between the authorities entrusted with enforcement by the Member States. In the case of Poland, this includes **providing information** on the terms of employment of workers posted to another EU country and reporting on infringements of labour rights of workers posted to Poland. According to standards set by the European Commission, a reply has to be provided within four weeks. The request for information coming from another EU Member State is usually channelled through the **Chief Labour Inspectorate** to the district labour inspectorates. However, the European Commission has noted that cross-border administrative cooperation still needed substantial improvement and that the communication of information between the liaison offices was not as prompt as it should be.<sup>223</sup>

In this sense, some efforts have been made to achieve cross-national cooperation on data sharing (e.g. the ownership of foreign bank accounts), and on other matters. Notably during the last years, bilateral cooperation agreements have been increasingly concluded in the context of EU Directive 96/71/EC, e.g. between the **Inspectorate of Poland and the Labour Inspectorate of the Baltic States**. The substance of these cooperation agreements includes: information exchange on terms of employment; irregularities discovered and infringements identified during inspections; coordination of proceedings in case of work accidents; joint coordination of investigations to monitor compliance with the laws of both countries concerned; annual meetings; and an exchange of information on national inspection systems.<sup>224</sup>

## D. Measures to tackle undeclared work

### First Business programme<sup>225</sup>

The 'First Business' (*Pierwszy biznes*) programme was launched in July 2005, and complemented the 'First Job' (*Pierwsza praca*) programme launched in June 2002. The 'First Business' programme focuses on supporting and promoting **entrepreneurship and self-employment among young people**. The programme is still ongoing and mainly targets

---

<sup>222</sup>The European Confederation of Private Employment Agencies (Eurociett) - <http://www.eurociett.org/index.php?id=75>.

<sup>223</sup> International Labour Organization's Working Document Number 7 – Labour inspection in Europe: undeclared work, migration, trafficking. Geneva, January 2010. - [http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf).

<sup>224</sup> International Labour Organization's Working Document Number 7 – Labour inspection in Europe: undeclared work, migration, trafficking. Geneva, January 2010. - [http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf).

<sup>225</sup> Source: Eurofound, <http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry21.htm>.



secondary school graduates aged below 25 years and university graduates aged below 27 years. The programme includes three specific measures:

- theoretical courses on how to set up and run an enterprise;
- practical training in matters related to entrepreneurship;
- loans and subsidies from the **Labour Fund** (*Fundusz Pracy*) and the **Bank of Domestic Economy** (*Bank Gospodarstwa Krajowego*).

#### **First Job programme**<sup>226</sup>

The **Ministry of Labour and Social Policy** (*Ministerstwo Pracy i Polityki Społecznej*) designed a 'First Job' programme (*Programu aktywizacji zawodowej absolwentów*), which sought to protect secondary school graduates against unemployment and thereby reduce the scale of youth unemployment. This measure aimed at curbing the supply of undeclared workers by reducing the number of unemployed young people. The programme lasted from June 2002 until December 2005. The main actors involved included: the Ministry of Labour and Social Policy; regional public employment offices (*Wojewodzkie Urzędy Pracy*); individual employers; and vocational training institutions. The programme sought to increase the likelihood of young graduates finding a job, by offering employers a refund of social security contributions for the first 12 months of employment.

#### **Employment of migrant workers without work permits**<sup>227</sup>

After joining the European Union in 2004, Poland effectively closed its borders to citizens of non-EU countries willing to take up legal employment. As workforce shortages continued to rise in Poland, the government introduced new regulations regarding admission of foreign workers to the domestic labour market. Under these new regulations, **citizens of neighbouring countries are allowed to officially work with no work permits required for limited periods of time**. In 2006, the Ministry of Labour and Social Policy issued the Ordinance on conditions for employment of foreigners without work permits, by virtue of which citizens of Poland's neighbouring countries of Belarus, Germany, Russia and Ukraine were granted permission to perform short-term work in the territory of Poland without a work permit. Previously, a foreign worker was able to work for three consecutive months during six consecutive months, while the new regulation extends this work period to six consecutive months during 12 consecutive months. As the initial results of the new regulation proved promising, in early 2008 the Ministry of Labour and Social Policy decided to amend it in favour of **foreign workers**, who could now work **up to six months** within twelve consecutive months. Under the new regulations, the actors responsible for providing assistance to parties interested in taking up the opportunity to hire foreign workers include the employment administration, particularly the **District Employment Offices** (*Powiatowe Urzędy Pracy – PUP*) and the Polish diplomatic service.

#### **Employment legality controls**<sup>228</sup>

One measure that aims to curb the trend towards undeclared work and other forms of illegal economic activities involves the inspection of companies, employees and their organisations

---

<sup>226</sup> Website Eurofound, Poland.

<sup>227</sup> Idem.

<sup>228</sup> Idem.

– in other words, trade unions and employer organisations – by **employment legality inspectors**.

### References

- International Labour Organisation's Working Document Number 7 – Labour inspection in Europe: undeclared work, migration, trafficking. Geneva, January 2010.  
[http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)
- Website Eurofound, Poland  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry21.htm>
- Website Eurofound (2009) *Tackling Undeclared Work in the European Union – Coordinated approach to fight against undeclared work* – Poland.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/pl005.htm>
- The European Confederation of Private Employment Agencies (Eurociett) -  
<http://www.euro-ciett.org/index.php?id=75>
- Union Network International – Europa (UNI – Europa),  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Polish Ministry of Labour and Social Policy: [www.mpips.gov.pl](http://www.mpips.gov.pl)
- Website of the Polish Public Employment Services: <http://www.psz.praca.gov.pl/>
- Website of the Polish Voluntary Work Teams: [www.ohp.pl](http://www.ohp.pl)

## PORTUGAL

### A. Departments/agencies responsible for tackling undeclared work

**Authority for Working Conditions** (*Autoridade para as Condições de Trabalho* – ACT).<sup>229</sup>

The Authority for Working Conditions is a government service which aims to promote improved working conditions through the enforcement of legal employment and to the safety and health at work in all sectors, public or private. The Authority for Working Conditions, which assumed the powers of the **General Labor Inspectorate** and the **Institute for Occupational Safety and Health at Work** is based in Lisbon and has regional and local services. It was established by Decree-Law No. 211/2006: a Law of the **Ministry of Labor and Social Solidarity**, which creates the Authority for Working Conditions.

**Other relevant institutions:**

**Ministry of Labour and Social Solidarity** (*Ministério do Trabalho e da Solidariedade Social* – MTSS)<sup>230</sup> - Duties performed by the MTSS include definition, orientation and practice of the politics of labour and employment, professional training, social security and social insertion, as well the rehabilitation of disabled people.

---

<sup>229</sup> Website of the Portuguese Authority for Working Conditions (ACT).

<sup>230</sup> Website of the Portuguese Ministry of Labour and Social Solidarity.

**Association of Labour Inspectorates:** *Associação portuguesa dos Inspectores do Trabalho*

**Regional Labour Inspectorates:** *Inspecção Regional do Trabalho*

**Trade union:** **Trade Union for the Hotels Industry, Tourism, Restaurants and Related**

**Activities in the North** (*Sindicato dos Trabalhadores da Indústria de Hotelaria, Turismo, Restaurantes e Similares do Norte*) – involved in the Campaign against undeclared work in hotels and restaurants.

#### **Portuguese Secretary of State of Justice**

- MTSS comprises the following bodies and services:
- General Administrative Office (*Secretaria-Geral*);
- General Inspectorate (*Inspecção-Geral*);
- General Directorate for Employment and Labour Relations (*Direcção-Geral de Emprego e Relações de Trabalho*);
- General Directorate for Social Security (*Direcção-Geral da Segurança Social*);
- Cabinet/Section for Strategy and Planning (*Gabinete de Estratégia e Planeamento*).

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The Portuguese Inspection Action Plan 2008–2010 is the main instrument of reference for the Authority for Working Conditions (*Autoridade para as Condições de Trabalho – ACT*) to accomplish its mission ‘Promotion of the Improvement of Working Conditions’ over a three-year period. The Authority for Working Conditions is responsible for the development and implementation of the measures contained in the inspection plan. The implementation of *measure 6.1, regarding undeclared work*, envisages the participation of other entities such as: ACT’s Directorate of Support Services to Inspection Activity (*Direcção de Serviços de Apoio à Actividade Inspectiva*), ACT’s Training and Human Resources Division (*Divisão de Formação e Recursos Humanos*), the Social Security (*Segurança Social*) and the Tax Authority (*Direcção-Geral dos Impostos – DGCI*).

## **C. Existing cross-national cooperations on undeclared work**

Portugal participates in the **Union Network International – Europa** (UNI – Europa)<sup>231</sup> and in the **Confederation of European Security Services** (CoESS).<sup>232</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the

---

<sup>231</sup>Website Union Network International – Europa (UNI – Europa).

<sup>232</sup> Website of the Confederation of European Security Services (CoESS).

transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>233</sup>

It is a Member State of the European **Confederation of Private Employment Agencies (Eurociett)**<sup>234</sup> along with the Czech Republic, Spain, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>235</sup>

Portugal has signed a number of **bilateral agreements** concerning undeclared work. For example, there are bilateral agreements between Portugal and Spain. The agreements provide for the organisation of visits by joint inspection teams, which are carried out in each other's country. The agreements also provide for mutual information exchange and training. There is for instance joint training with inspectors from the Portuguese labour inspectorate as well as a compendium of terminology to assist Spanish and Portuguese inspectors to better understand one another's systems.<sup>236</sup>

Portugal has signed a bilateral agreement on labour migration with the government of Bulgaria, which seeks to limit undeclared work by Bulgarians abroad.<sup>237</sup>

## D. Measures to tackle undeclared work

### **Campaign against undeclared work in hotels and restaurants**<sup>238</sup>

The Campaign against undeclared work in hotels and restaurants (2007) directly involved trade union representatives from the Northern Hotels Trade Union. However, indirectly, it also called on the participation and collaboration of the Authority for Working Conditions (*Autoridade para as Condições de Trabalho – ACT*), the Social Security (*Segurança Social*), the government and the Ministry of Labour and Social Solidarity (*Ministério do Trabalho e da Solidariedade Social – MTSS*).

In 2007, the Northern Hotels Trade Union in Portugal started a campaign against informal and undeclared work (*Campanha Contra Trabalho Clandestino e Trabalho Não Declarado*). The campaign was based on a survey which found that a significant number of restaurants

---

<sup>233</sup> UNI-Europa and CoESS (2009).

<sup>234</sup> The European Confederation of Private Employment Agencies (Eurociett).

<sup>235</sup> Ciett (2009).

<sup>236</sup> International Labour (2010).

<sup>237</sup> Tomev, Lyuben (2004).

<sup>238</sup> Website Eurofound, Romania.

and beverage establishments in the north-western *Minho Region* relied on such work. Overall, the initiative was well received and achieved some positive results though no quantitative data could be identified.

### **Inspection programme to combat undeclared work**<sup>239</sup>

The Inspection Action Plan 2008–2010 of the **Authority for Working Conditions** includes a specific measure aiming to combat undeclared and irregular work in Portugal. The inspection programme to combat undeclared work (*Programa inspectivo para o combate ao trabalho não declarado*) has a national scope and covers all sectors of economic activity, with a special focus on the construction sector and hotels and restaurants.

### **On the Spot company set-up**<sup>240</sup>

In 2005, the **Portuguese Secretary of State of Justice** implemented an initiative in order to relieve the bureaucratic burden accompanying the setting up of new companies. By **simplifying the administrative requirements**, it is now possible to create a company ‘on the spot’ in a single office in a single day. Although it is not an explicit objective, this measure should contribute to combating undeclared work. The ‘On the Spot Firm’ initiative was developed by the **Secretary of State of Justice** coordinated by the **Agency for Administrative Modernisation** (*Agência para a Modernização Administrativa – AMA*). It was implemented in cooperation with various ministries: the **Ministry of Justice** (*Ministério da Justiça*), the **Ministry of Finance and Public Administration** (*Ministério das Finanças e da Administração Pública*), the **Ministry of Economy and Innovation** (*Ministério da Economia e da Inovação*), and the **Ministry of Labour and Social Solidarity** (*Ministério do Trabalho e da Solidariedade Social – MTSS*). At present, the initiative involves: 10 Enterprise Formalities Centres (*Centros de Formalidades das Empresas – CFE*), covering most of the mainland of Portugal and the autonomous region of Madeira; 90 local Commercial Registers, covering all of the national territory; the RNPC in Lisbon.

### **References**

- Ciett (2009). *Agency work industry around the world*.  
[http://www.ciett.org/fileadmin/templates/ciett/docs/Agency\\_work\\_industry\\_around\\_the\\_world\\_-\\_2009\\_Edition.pdf](http://www.ciett.org/fileadmin/templates/ciett/docs/Agency_work_industry_around_the_world_-_2009_Edition.pdf)
- Website Eurofound, Portugal  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry22.htm>
- Tomev, Lyuben (2004). European Industrial Relations Observatory Online (EIROnline). Publication date – 01/09/2004,  
<http://www.eurofound.europa.eu/eiro/2004/06/tfeature/BG0406202T.htm>
- International Labour Organisation’s Working Document Number 7 – Labour inspection in Europe: undeclared work, migration, trafficking. Geneva, January 2010  
[http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)
- The European Confederation of Private Employment Agencies (Eurociett) -  
<http://www.euro-ciett.org/index.php?id=75>

---

<sup>239</sup> Idem.

<sup>240</sup> Idem.

- Union Network International – Europa (UNI – Europa),  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Portuguese Authority for Working Conditions (ACT): [www.act.gov.pt](http://www.act.gov.pt)
- Website of the Portuguese Ministry of Labour and Social Solidarity:  
<http://www.mtss.gov.pt/english.asp>
- UNI-Europa and CoESS (2009) *UNI-Europa and CoESS joint position against undeclared work in the private security sector* -  
[http://www.coess.org/documents/undeclared\\_work\\_051114\\_en.pdf](http://www.coess.org/documents/undeclared_work_051114_en.pdf)

## ROMANIA

### A. Departments/agencies responsible for tackling undeclared work

The **Romanian Labour Inspectorate** (*Inspekția Muncii – IM*)<sup>241</sup> is a specialised government agency established by law in 1999, operating under the authority of the **Ministry of Labour, Family and Equality of Opportunities** (*Ministerul Muncii, Familiei și Egalității de Șanse – MMFES*). Its main aim is to verify that employers comply with their obligations in respect of labour relations, working conditions, and health and safety standards for the employees and other contributors to a labour process. Hence it is the main body responsible for detecting and regulating undeclared work. The **Labour Inspectorate** manages its responsibility through its 42 local inspection offices, one in each county of Romania.

**Financial Guard** (*Garda Financiară – GF*). The practice of not declaring part of the income falls within the scope of the Financial Guard and its financial controllers. The Financial Guard is a control agency under the **Ministry of Finance** (*Ministerul Finanțelor – MF*); it is responsible for preventing and investigating tax evasion and tax-related fraud, including such originating from undeclared work.

The **Builders' Social Fund**<sup>242</sup> (*Casa Socială a Constructorilor – CSC*)<sup>243</sup>, a non-profit organisation, was established in 1998 as a privately run welfare organisation to which the representative trade unions and employer organisations in the construction and building materials sector contribute equally. This framework offers the conditions for a multi-dimensional approach to combating illegal and undeclared work. Welfare services are only made available to legally employed persons. The Construction Sector Social Agreement for 2007–2009 (*Acordul Social Sectorial pentru Construcții 2007–2009*), signed by the sectoral social partners on 27 December 2006, estimates that undeclared work accounts for one third of the active labour force in the sector. The agreement emphasises the importance of concerted action on the part of the social partners and relevant authorities for the prevention and reduction of this problem. The Romanian Association of Employers in Construction (*Asociația Română a Antreprenorilor de Construcții – ARACO*) signed the sectoral

---

<sup>241</sup> Website of the Romanian Labour Inspectorate.

<sup>242</sup> Website of Eurofound, Romania.

<sup>243</sup> Website of the Romanian Builders' Social Fund.

agreement on behalf of employers. On the trade union side, the signatories included the Anghel Saligny National Trade Union Federation in Construction and Erection Works (*Federația Națională a Sindicatelor din Construcții Montaj 'Anghel Saligny'* – FNSCM Anghel Saligny) and the FAMILIA General Federation of Trade Unions (*Federația Generală a Sindicatelor FAMILIA* – FGS FAMILIA). The CSC members are construction work companies and manufacturers of building materials. The welfare services offered by the CSC provide them with an alternative to winter-time unemployment between November and March, when the construction sector slows down considerably. To avail of the services of this private welfare fund manager, the contributors must produce evidence that their employees are legally employed. The rule is that no personal contribution may be transferred to another member. The second step was to enter, in 2006, into the Construction Sector Social Agreement for 2007–2009, as part of which a **Permanent Committee** of equal representation for the control of undeclared work was appointed. The committee members, in cooperation with representatives of the **Ministry of Finance** (*Ministerul Finanțelor* – MF) and **labour inspectors**, are involved in explaining the disadvantages of undeclared work and in identifying cases of illegal work. In its 10-year old existence, the CSC has developed as a **Secretariat of the entire self-regulatory system in the construction sector** (*Sistem de Autoreglementări Sectoriale în Construcții* – SASEC).

#### **Other relevant institutions**

**National Office for Pensions and Other Forms of Social Security** (*Casa Națională de Pensii și alte Drepturi de Asigurări Sociale* – CNPDAS); **National Institute for Scientific Research in the Field of Work and Social Protection** (*Institutul Național de Cercetări în Domeniul Muncii și Protecției Sociale* – INCDMPS); tax inspectors.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

The **Financial Guard** and the **Romanian Labour Inspectorate** for the labour and financial inspectors work in cooperation in the field of fighting undeclared work. An example for such a cooperation is enhancing the efficiency of labour inspections in the flour and backing industries by paying sudden visits during the night.

Between June 24 to August 31, 2009, the Labour Inspectorate carried out inspections in the Black Sea area. 3 mixed teams cooperated in the initiative. Each team consisted of 2 labour inspectors of the Labour Inspectorate (Department of Labour Relations Control / Direction Methodology, Evidence and labour relations, namely Safety and Health Control Department) and 2 inspectors working under the local Labour Inspectorate of Constanta.

The employers' organisations and trade unions in the construction sector cooperate in the **Builders' Social Fund initiative**, which aims at reducing undeclared labour.

**Report on Informal Employment** was elaborated through the cooperation of OECD Development Centre authors, representatives of the Ministry of Labour, Family and Equal Opportunities (*Ministerul Muncii, Familiei și Egalității de Șanse* – MMFES); National Office

for Pensions and Other Forms of Social Security (*Casa Națională de Pensii și alte Drepturi de Asigurări Sociale* – CNPDAS); the Labour Inspectorate (*Inspectia Muncii* – IM); the National Institute of Statistics (*Institutul Național de Statistică* – INS); the National Institute for Scientific Research in the Field of Work and Social Protection (*Institutul Național de Cercetări în Domeniul Muncii și Protecției Sociale* – INCDMPS); the Institute of the National Economy (*Institutul de Economie Națională* – IEN).

### C. Existing cross-national cooperations on undeclared work

Romania participates in the **Union Network International – Europa** (UNI – Europa)<sup>244</sup> and in the **Confederation of European Security Services** (CoESS).<sup>245</sup> These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>246</sup>

A **European Network on Undeclared Work** has been set up between the governments of five Member States – Belgium, France, Germany, Italy and Romania. The network is coordinated by the Italian Ministry of Labour, and seeks to promote the exchange of expertise on a wider policy agenda dealing with undeclared work. Such a cooperation could be extended to a more comprehensive range of countries and also across the full range of strategic and operational issues, particularly data sharing.<sup>247</sup>

Romania, along with Belgium, France, Germany, and Italy, established the **European Network on Undeclared Work (ENUW)** under the coordination of Italian Ministry of Labour.<sup>248</sup>

Romania has signed the **Bucharest Declaration** at the South East Europe Conference of Employment. The Delegates to the Conference of Bucharest, meeting under the chairmanship of the Minister of Labour, Social Solidarity and Family of Romania, and at the invitation of the Council of Europe and of the Belgian Federal Public Service Employment, Labour and Social Dialogue, **under the auspices of the Initiative for Social Cohesion of the Stability Pact for South Eastern Europe**, approved the Declaration which aims, among other things, at transforming undeclared into regular work.<sup>249</sup>

---

<sup>244</sup> Website of the Union Network International – Europa (UNI – Europa).

<sup>245</sup> Website of the Confederation of European Security Services (CoESS).

<sup>246</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector, 2006.

<sup>247</sup> Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organization's 2010.

<sup>248</sup> Feasibility study on establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work specifications tender n° VT/2009/049.

<sup>249</sup> The Bucharest Declaration - South East Europe Conference on Employment (SEE-EC), 2003.



International cooperation in the field of undeclared work is generally conducted by the government. Many bilateral agreements addressing migrant workers, seasonal workers, repatriation, traineeships etc have been signed with both countries to which Romanians migrate and countries of origin of immigrants to Romania (Moldova, Hungary, Bulgaria, Germany, Spain, Portugal, Italy, France and Switzerland). Some of the agreements (which involve either the government itself, the Ministry of Labour, Family and Social Protection (MMSSF) or the Labour Inspection) provide only for a general collaboration, some develop common procedures to deal with 'circular' migration for work by stimulating legal migration, fighting illegal migration and supporting voluntary returns, and some establish annual quotas for legal temporary migrant workers.

In the border regions Bulgarian, Greek and Romanian trade unions work together in Regional Industrial Councils countering UDW.

On 30 September 2010, **Bulgaria, Romania** and **Greece** signed an agreement to join forces in their struggle against UDW.

#### **D. Measures to tackle undeclared work**

In its Program for inspection actions in 2010, the Romanian Labour Inspectorate foresees a continuation of its **Campaign to identify and tackle undeclared work** in areas with major incidents: construction, textiles, services, industry, food and baking, woodworks, trade, security, gambling, units operating in the resorts. In 2009 the Inspectorate aimed to increase the intensity of controls, approved by the Memorandum of Understanding between the European Commission and Romania in the field of labour relations, more specifically undeclared labour by performing 101,407 total checks and sanctioned a total of 57,238 employers. Only in the area of undeclared work the Inspectorate performed 81,241 checks (80% of all checks in 2009). 8500 employers were found using undeclared work and 17,464 persons were found carrying undeclared work. In recent years, the fines applied by **Labour Inspectorate** for undeclared work accounted for 40% to 50% of all the penalties that it enforced.

##### **Report on informal employment**<sup>250</sup>

In 2008, under the auspices of the Development Centre of the Organisation for Economic Cooperation and Development (OECD), a country report was published with the aim of prioritising the issue of informal employment in debates on Romania's labour market. The main conclusion of the report is that informal employment continues to persist in Romania, accounting for between 20% and 50% of all employment, depending on the definitions used for this phenomenon. The report also underlines the importance of centralising quality information on informal employment. As Romania's labour minister has highlighted, such reports demonstrate the importance of strengthening the cooperation between academic researchers and public policymakers in the various economic sectors, to help identify, understand and solve problems in this area.

---

<sup>250</sup> Website of Eurofound, Romania.

### **Sectoral campaigns of the Labour Inspectorate<sup>251</sup>**

The **Labour Inspectorate** has developed **inspection and awareness-raising** campaigns aimed at identifying and controlling undeclared work in economic sectors where it is prevalent. **High taxation** tends to encourage the grey economy, meaning that employers and employees agree on the minimum legal pay rate and the workers are then paid more in cash, off the record. **Labour and tax inspectors work in cooperation** to combat the problem.

The regular inspections of the **Labour Inspectorate** aim to:

- identify employers hiring workers without observing the legal employment documentation, so that adequate measures can be taken to curtail the economic and social effects of illegal labour;
- assess the main reasons behind undeclared labour;
- enforce penalties and propose measures towards discouraging the illegal use of the labour force, while encouraging legal employment;
- provide educational, information and technical assistance services to employers and employees, in order to advise both sides on the provisions of labour legislation.

### **Reduction of Social Security and Other Taxes<sup>252</sup>**

As a measure to combat undeclared labour, the government has reduced employers' social security contributions by three percentage points in 2004 as against 2003 levels. This comprises a 2.5 percentage point reduction in contribution rates to the state social security fund (pensions) and a 0.5 percentage point reduction in contribution rates to the unemployment insurance fund. Taking into account that a further reduction of the contribution rates occurred in 2003, the tax burden on labour is eight percentage points lower than its 2002 level. In relative terms the aggregate tax burden on labour has decreased from 48.2%, as calculated for the average gross salary in 2002, to 45.5% in 2003.

### **2003 Labour Code and 2004 Law on temporary work agencies<sup>253</sup>**

A new labour code was introduced at the beginning of 2003, including important changes to labour contracts. **Fixed-term and part-time contracts** have been recognised and regulated, and the concept of **temporary work** has also been introduced. Subsequently, as of June 2004, this has resulted in the adoption of a law regarding **temporary work agencies**. This has limited the scope of so-called 'civil conventions' to its original function, with usage limited to the provisions of the civil code. These civil conventions are a type of common-law agreements widely seen as a form of 'informal' labour contract and therefore an important element of undeclared work.

### **References**

- Website of the Romanian Labour Inspectorate  
<http://www.inspectmun.ro/>
- Website Eurofound, Romania  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry23.htm>

---

<sup>251</sup> Idem.

<sup>252</sup> European Employment Observatory, Autumn 2004.

<sup>253</sup> Idem.

- Website of the Romanian Builders' Social Fund  
<http://www.casoc.ro/>
- Union Network International – Europa (UNI – Europa)  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Website of the Confederation of European Security Services (CoESS)  
<http://www.coess.org/about.htm>
- *Confédération Européenne des Service de Sécurité and Uni-Europa*, UNI-Europa and CoESS joint position against undeclared work in the private security sector, April 2006.  
[http://www.coess.org/documents/undeclared\\_work\\_051114\\_en.pdf](http://www.coess.org/documents/undeclared_work_051114_en.pdf)
- International Labour Organisations, Labour inspection in Europe: undeclared work, migration, trafficking, Working Document Number 7, January 2010.  
[http://www.oit.org/wcmsp5/groups/public/---ed\\_dialogue/--lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmsp5/groups/public/---ed_dialogue/--lab_admin/documents/publication/wcms_120319.pdf)
- European Commission, Feasibility study on establishing a European platform for cooperation between labour inspectorates, and other relevant monitoring and enforcement bodies, to prevent and fight undeclared work, Specifications Tender N° VT/2009/049 Document of the 2002-2007.  
<http://ec.europa.eu/social/BlobServlet?docId=2767&langId=en>
- Council of Europe, The Bucharest Declaration - South East Europe Conference on Employment (SEE-EC)- Bucharest, 30-31 October 2003,  
[http://www.coe.int/t/e/social\\_cohesion/strategic\\_review/publications/employment\\_network/020\\_The\\_Bucharest\\_Declaration\\_doc..asp](http://www.coe.int/t/e/social_cohesion/strategic_review/publications/employment_network/020_The_Bucharest_Declaration_doc..asp)

## SLOVAKIA

### A. Departments/agencies responsible for tackling undeclared work

Controls on undeclared work and illegal employment are performed by the country's labour inspection authorities – that is, the Ministry of Labour, Social Affairs and Family<sup>254</sup>, the National Labour Inspectorate<sup>255</sup> and regional labour inspectorates, along with the Centre of Labour, Social Affairs and Family<sup>256</sup> (*Ústredie práce, sociálnych vecí a rodiny – ÚPSVaR*) and its regional offices, the tax authorities (Slovak Tax Administration)<sup>257</sup> (*Daňové riaditeľstvo SR*) to the Ministry of Finance and the Presidium of the Police Force<sup>258</sup> (*Prezídium Policajného zboru*) to the Ministry of Interior. The National Labour Inspectorate (*Národný inšpektorát práce – NIP*) is the main actor involved in checks on the workplace. When the inspection body finds that the act on illegal work has been breached, it will write a

<sup>254</sup> Website of the Slovak Ministry of Labour, Social Affairs and Family.

<sup>255</sup> Website of the Slovak National Labour Inspectorate.

<sup>256</sup> Website of the Slovak Centre of Labour, Social Affairs and Family.

<sup>257</sup> Website of the Slovak Tax Administration.

<sup>258</sup> Website of the Slovak Presidium of the Police Force.

protocol about the labour inspection, in which it will propose technical, organisational and other measures seeking to improve the situation. The relevant labour inspectorate is authorised to impose a fine for violation of the illegal employment prohibition amount from € 2000 to € 200 000 as of 1. June 2010. The National Labour Inspectorate administers a central, publicly available list of physical and legal persons who breached the ban on illegal employment. The individuals concerned do not receive any state aid and they are not allowed to participate in public procurement. Since 1 April 2005, every employer is obliged to report each employment contract and contract termination to the Social Insurance Agency (*Sociálna poisťovňa – SP*)<sup>259</sup>.

The **Ministry of Labour, Social Affairs and Family** has within its structure several bodies that deal with undeclared work:

- Centre of Labour, Social Affairs and Family performs state administration in the field of state social benefits and social assistance. It is responsible for the: registration of unemployed people seeking employment, registration of vacancies, mediation of suitable employment, provision of advisory services, education and training for labour market, implementation of active labour market measures, increased care for the application of special working groups of citizens, preparation and implementation of projects financed by the European Social Fund;
- Institute for Labour and Family;
- National Labour Inspectorate;
- Social Development Fund;
- Social Implementing Agency;
- Learning Centre of the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

### **Coordination of inspection activities at workplaces**<sup>260</sup>

Before 2000, undeclared work in Slovakia was only allowed to be checked by labour inspectors. Since 1 July 2000, however, the control of undeclared work became regulated by Act No. 95/2000 on labour inspection. Following the introduction of the act, the need to **coordinate inspection activities** in the control of undeclared work was identified, based on past experience. Due to the relatively small number of **labour inspectors**, employees of the **labour ministry offices** and the country's **tax offices**, as well as **police officers**, are also involved in the control activities. Since 2000, a number of legislative measures have been introduced in Slovakia to combat and prevent the incidence of undeclared or illegal work. Under these regulations, the relevant **labour inspection authorities** can impose substantial **fines** on those violating the law on illegal employment, as well as **prohibit them from taking part in public procurement**. The most serious penalty for a person carrying out

---

<sup>259</sup> Website of the Slovak Social Insurance Agency.

<sup>260</sup> Website of Eurofound, Slovak Republic.

undeclared work is their **removal from an unemployment registry**. Monitoring is carried out mainly on the basis of planned activities and signals from outside. Subsequently, in April 2001, an agreement was concluded to provide the organisational framework for the **coordination of inspection activities**. This agreement was concluded between the **Ministry of Labour, Social Affairs and Family** (*Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky – MPSVR SR*), departments of the **Ministry of the Interior** (*Ministerstvo vnútra – MV SR*), the **tax offices attached to the Ministry of Finance** (*Ministerstvo financií Slovenskej republiky – MF SR*), the **Social Insurance Agency** (*Sociálna poisťovňa, SP*), the **National Labour Office** (*Národný úrad práce – NÚP*) and the **National Labour Inspectorate** (*Národný inšpektorát práce – NIP*). Coordination of the regulations was implemented in cooperation with local self-governments and employer organisations.

The introduction of the **registration system for work contracts in 2005** has intensified the cooperation between the institutions involved: **labour inspectorates, tax offices, the Head Office of Labour, Social Affairs and Family** (*Ústredie práce, sociálnych vecí a rodiny – ÚPSVaR*) and the **Presidium of the Police Force** (*Prezídia Policajného Zboru*). The law obliges other state bodies or authorities to participate in the registration process, such as the **Ministry of Interior** (*Ministerstvo vnútra Slovenskej republiky – MV SR*). Cooperation with the **Social Insurance Agency** have improved lately because of better access of control authorities to the Social Insurance Agency electronic database of registered work contracts and work agreements. Also progress in the cooperation between all the state control bodies participating in the control of the illegal work and illegal employment is achieved.

### C. Existing cross-national cooperations on undeclared work

Slovakia participates in the **Union Network International – Europa** (UNI – Europa).<sup>261</sup> This organisation, together with the **Confederation of European Security Services** (CoESS)<sup>262</sup>, has presented a joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>263</sup>

Slovakia is a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**.<sup>264</sup> Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal

---

<sup>261</sup> Website of Union Network International – Europa (UNI – Europa).

<sup>262</sup> Website of the Confederation of European Security Services (CoESS).

<sup>263</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector, 2006.

<sup>264</sup> Website of the European Confederation of Private Employment Agencies (Eurociett).

protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>265</sup>

On 6 November 2006 a **Memorandum of Understanding** was signed between the Ministry of Social Affairs and Employment of the Kingdom of the **Netherlands** and the Ministry of Labour, Social Affairs and Family of the **Slovak Republic** on cooperation concerning enforcement of the rules on social policy, in case of cross-border labour and services, and the enforcement of social assistance regulations. The purpose of this Memorandum of Understanding is to improve and intensify the cooperation concerning the combating of illegal work, the enforcement of the rules on terms and conditions of employment in case of cross-border labour and services, and the enforcement of social assistance regulations.<sup>266</sup>

## D. Measures to tackle undeclared work

### Registration system for work contracts<sup>267</sup>

Since 1 April 2005, every employer is obliged to **report each employment contract** to the **Slovakian Social Insurance Agency** before the commencement of the respective work. In addition, the termination of the employment contract has to be reported not later than a day after its expiration. The registration system aims to control undeclared work; however, it is administratively demanding – some 5.4 million applications are made each year. Since 1 January 2004, a heavier fine applies for breaching the registration obligation.

### Act on Social Insurance (2003)<sup>268</sup>

The amended *Act on Social Insurance*, effective as from 1 January 2004, introduced substantial changes to the PAYG pension scheme (Pay-As-You-Go scheme, first pillar of pension system, administered by the Social Insurance Agency). Among the most important is the **increased link between contributions and benefits** where, contrary to the previous system, the rule “**the higher the contribution, the higher the pension**” is applied. The new pension scheme was intended to motivate people to work in the **formal sector**.

### Amended Labour Code (2010)<sup>269</sup>

The amended Labour Code has improved the flexibility of employment relations, mainly through giving both parties the right to more flexibly conclude and terminate an employment relationship and by deregulating working time. The law also abolished a special type of temporary work contract (the so-called “work activity agreement”), which was suspected of

---

<sup>265</sup> The agency work industry around the world, CIETT 2009.

<sup>266</sup> Memorandum of understanding between the Ministry of Social Affairs and Employment of the Netherlands and The Ministry of Labour, Social Affairs and Family of the Slovak Republic on cooperation concerning enforcement of the rules on social policy, in case of cross-border labour and services, and the enforcement of social assistance regulations.

<sup>267</sup> Website of Eurofound, Slovak Republic.

<sup>268</sup> European Employment Observatory, Review: autumn 2004.

<sup>269</sup> Idem.

being abused for undeclared activities. In a survey conducted among businesses, the Labour Code was evaluated as clearly beneficial to the business environment because of improved flexibility and applicability. The respondents said that the law partially stimulates the creation of new jobs. The National Labour Inspectorate points to the fact that an employment contract does not always have to be concluded in a written form, which leaves room for illicit employment. Also, the special form of short-term contract (the so-called 'work performance agreement') is suspected of being misused for undeclared work as there is no obligation to keep records of hours worked as it is the case with a regular employment contract.

### **Act on Labour Inspection (2010)**<sup>270</sup>

The Act on Labour Inspection, effective as from 1 July 2000 specifies competencies of the National Labour Inspectorate (NLI) and local labour inspectorates as well as obligations of employers, entrepreneurs and employees towards the labour inspectorate and the authorisation of the inspectorate to impose penalties for violation of these laws. These include, *inter alia*, the obligation of the **employer to notify in writing regarding commencement of activities, to enable free access of inspectors to the workplace and create conditions for a swift inspection**, to submit upon request the identity of persons present at his/her workplace and documents proving a labour relation to such persons. Any person present at the workplace of an employer is obliged to prove his/her identity and explain the reason for such presence at the workplace.

### **References**

- Website of the Slovak Ministry of Labour, Social Affairs and Family  
[www.employment.gov.sk](http://www.employment.gov.sk)
- Website of the Slovak National Labour Inspectorate  
[www.safework.gov.sk](http://www.safework.gov.sk)
- Website of the Slovak Centre of Labour, Social Affairs and Family  
[www.upsvar.sk](http://www.upsvar.sk)
- Website of the Slovak Tax Administration  
[www.drsr.sk](http://www.drsr.sk)
- Website of the Slovak Presidium of the Police Force  
[www.minv.sk/?kontakty-prezidia-policajneho-zboru](http://www.minv.sk/?kontakty-prezidia-policajneho-zboru)
- Website of the Slovak Social Insurance Agency  
[www.socpoist.sk](http://www.socpoist.sk)
- Website Eurofound, Slovak republic  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry24.htm>
- Union Network International – Europa (UNI – Europa)  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- The Ministry of Social Affairs and Employment, Memorandum of Understanding between the Ministry of Social Affairs and Employment of the Kingdom of the Netherlands and the Ministry of Labour, Social Affairs and Family of the Slovak Republic on cooperation concerning enforcement of the rules on social policy, in case of cross-border labour and services, and the enforcement of social assistance regulations, 2008.  
[http://docs.minszw.nl/pdf/135/2008/135\\_2008\\_1\\_19343.pdf](http://docs.minszw.nl/pdf/135/2008/135_2008_1_19343.pdf)
- European Employment Observatory, Review: Autumn 2004.

<sup>270</sup> European Employment Observatory, Review: autumn 2004.

[http://www.econbiz.de/archiv1/2008/51903\\_european\\_unemployment\\_observatory.pdf](http://www.econbiz.de/archiv1/2008/51903_european_unemployment_observatory.pdf)

- The European Confederation of Private Employment Agencies (Eurociett)  
<http://www.euro-ciett.org/index.php?id=75>

## SLOVENIA

### A. Departments/agencies responsible for tackling undeclared work

The **Slovenian Ministry of Labour, Family and Social Affairs** (*Ministrstvo za delo, družino in socialne zadeve – MDDSZ*)<sup>271</sup> oversees the status, rights and obligations of workers at work, the pay system regulations, unemployment insurance and **preventing illegal work and employment**.

The prevention of **illegal work** and employment falls within the responsibilities of the **Labour Market and Employment Directorate**. A representative of the **Ministry of Labour, Family and Social Affairs**, heads the **Government Commission for tackling undeclared work**.

The **Slovenian Labour Inspectorate**<sup>272</sup>

The Labour Inspectorate of the Republic of Slovenia supervises the implementation of the Prevention of Illegal Work and Employment Act in the part stipulating the prohibition of illegal employment, which is deemed to exist if a legal entity or an entrepreneur who meets the requirements for pursuing activity:

- fails to conclude an employment contract or a civil law contract on the basis of which work can be carried out and also fails to register a worker for health and pension and disability insurance;
- employs an alien or a stateless person in contravention of regulations governing the employment of aliens;
- allows the work of a pupil or student without a student referral form issued by an authorised job-brokerage agency or uses the referral form for another person.

Pursuant to this Act, illegal employment is also deemed to exist when an individual employs a worker in his own name and on his own account to perform work illegally for him.

The Labour Inspectorate also oversees the **legality of the work** of providers in procedures for determining and certifying professional qualifications, and the legality and professionalism of work by examining boards. **Oversight** is performed as part of employment inspections.

The Market Inspectorate of the Republic of Slovenia, the Transport Inspectorate of the Republic of Slovenia and the Tax Inspectorate supervise the implementation of the provision of the Prevention of the Illegal Work and Employment Act stipulating that an activity or work shall be deemed illegal and prohibited pursuant to this regulation:

---

<sup>271</sup> Website of the Slovenian Ministry of Labour, Family and Social Affairs.

<sup>272</sup> Website of the Slovenian Labour Inspectorate.



- if a legal person pursues an activity which is not registered in the register of companies or carries out an activity not defined in the constituting instrument or does not have the statutory documents on fulfilment of the conditions for performing a registered activity or an activity defined in the constituting instrument;
- if an entrepreneur pursues an activity which is not entered in the relevant register or does not have the statutory documents on the fulfilment of the conditions for carrying out a registered activity;
- if a legal person or an entrepreneur pursues an activity despite a temporary ban on carrying out this activity;
- if a foreign company fails to carry out activities in the Republic of Slovenia through an affiliated undertaking or if it carries out an activity without an appropriate permit;
- if an activity or work is carried out by an individual who is not registered or notified as stipulated by this or any other Act.

The Market Inspectorate of the Republic of Slovenia is also responsible for supervising several other provisions of the said Act.

The **National Employment Service of Slovenia** also participates in the joint actions aiming to detect and prevent undeclared work. The activities of these parties are not meant to replace regular workplace inspections; they rather represent additional joint inspections in which several agencies cooperate.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

A number of ministries, inspectorates, tax and customs administration cooperate in the work of the **Government Commission for detecting and preventing illegal work and employment**.

The following public bodies cooperate in the implementation of the Act on Prevention of Illegal Work and Employment: the Slovenian Tax Administration, Labour Inspectorate (*Inšpektorat Republike Slovenije za delo* – IRSD), the Employment Service of Slovenia, Customs Administration, agriculture, forestry and building inspectorates, the environment inspectorate, the health inspectorate, the inspectorate of schools and the police force. These bodies have to notify the Tax Administration and the Employment Service about any information pointing to violations of the Act. The Government Commission for the detection and prevention of illegal work estimates that the extent of undeclared employment and work has been decreasing in the period 2006-2007. In 2006, the Labour Inspectorate of the Republic of Slovenia found 756 violations of the provisions of the Prevention of Illegal Work and Employment Act from within its competence; in 2007, the number of violations found dropped to 531.

One of the **benefits of the joint actions** is that the supervisory bodies perform two tasks simultaneously: the first role is the detection and prevention of undeclared work, and the second task is inspections in their own particular field of interest. Those proposing new regulations and rules on undeclared work are obliged to consult and coordinate at the inter-

ministerial level and with representatives of interested members of the public and of civil society.

The Labour Inspectorate of the Republic of Slovenia is active within cooperation under the auspices of the Commission for Detecting and Preventing Illegal Work and Employment; it is also engaged in joint targeted actions or individual cases with other state authorities (e.g., the Market Inspectorate of the Republic of Slovenia, the Transport Inspectorate of the Republic of Slovenia, Tax Administration of the Republic of Slovenia, the Police etc.). It acts on its own initiative or on the initiative of the aforementioned authorities or through regional coordination within the Inspection Council.

### C. Existing cross-national cooperations on undeclared work

Slovenia participates in the **Union Network International – Europa** (UNI – Europa)<sup>273</sup> and in the **Confederation of European Security Services** (CoESS)<sup>274</sup>. These two organisations have presented their joint position against undeclared work in the private security sector. Both of them express their will to contribute to fighting undeclared work, to favour the transformation of undeclared work to declared work and to raise awareness among their members so that they act against undeclared work in their respective countries.<sup>275</sup>

It is also a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>276</sup> along with Portugal, Spain, Italy, the Czech Republic, Greece, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>277</sup>

Strengthening transnational cooperation between competent bodies in different Member States aimed at combating undeclared work.<sup>278</sup>

In 2003, in the context of Slovenian preparations for accession to the EU, special attention was given to undeclared employment of foreigners especially in construction, cargo

---

<sup>273</sup> Website of Union Network International – Europa (UNI – Europa).

<sup>274</sup> Website of the Confederation of European Security Services (CoESS).

<sup>275</sup> UNI-Europa and CoESS joint position against undeclared work in the private security sector, 2006.

<sup>276</sup> Website of the European Confederation of Private Employment Agencies (Eurociett).

<sup>277</sup> The agency work industry around the world, CIETT 2004.

<sup>278</sup> European Employment Observatory.

transport, hotels and restaurants (especially Chinese restaurants), entertainment (especially night clubs) and in agriculture (especially hop growing). In areas such as **construction and agriculture workers from other ex-Yugoslavian countries and from Eastern Europe** often work without signing contracts or reporting to the authorities. It was concluded that Slovenian supervisory bodies were well prepared to supervise foreign legal entities, small entrepreneurs and individuals.

The Labour Inspectorate of the Republic of Slovenia participates in the Senior Labour Inspectors Committee (SLIC). It also cooperates with the International Labour Organisation (ILO) and the International Association of Labour Inspectors (IALI). Its activities relate to the obligations of the Republic of Slovenia regarding the implementation of international commitments under ILO Convention no. 81 concerning Labour Inspection in Industry and Commerce, the revised European Social Charter and a number of EU Directives in the field of safety and health at work and employment relationships. These activities primarily concern the provision of data and reporting on these instruments.

## D. Measures to tackle undeclared work

### **Joint action to detect and prevent undeclared work (1997)**<sup>279</sup>

In 1997, the government of the Republic of Slovenia adopted a programme for detecting and preventing undeclared work. Within this framework, relevant legislative parameters were set. More stringent monitoring activities concerning undeclared work and employment are now carried out within the framework of joint actions aiming to detect and prevent illegal work and employment (*skupne akcije odkrivanja in preprečevanja dela in zaposlovanja na črno*). The Slovenian government has increased workplace **inspections and supervision visits** in an effort to identify and combat undeclared work. This measure is being carried out in accordance with the **2000 Act on Prevention of Undeclared Work and Employment**. The initiative is steered by the **Government Commission for detecting and preventing illegal work and employment**. This body considers that the measure is efficient as the extent of the problem is on the decrease.

### **Simplification of administrative procedures**<sup>280</sup>

As part of its efforts to combat undeclared work, the Slovenian government has sought to create an administrative environment, which is more favourable for the declaration of economic activities. The simplified procedures regarding the employment of foreigners and seasonal workers may have contributed to reducing cases of undeclared work which were caused by lengthy procedures involved in acquiring work permits for foreigners. The removal of administrative barriers and simplification of rules has had a positive economic impact on different segments of society.

The **Ministry of Public Administration** (*Ministrstvo za javno upravo*) was assigned the task of creating a more efficient and user-friendly public administration and legislative environment for citizens and economic operators in Slovenia. Against this background, the

---

<sup>279</sup> Website of Eurofound, Slovenia.

<sup>280</sup> Idem.

government adopted the 'Programme of measures for the reduction of administrative burdens' in November 2005. The measures were previously agreed on with all responsible ministries and also with the **Slovene Chamber of Commerce and Industry**. Apart from the Ministry of Public Administration, other organisations involved in this initiative include the **Ministry of Labour, Family and Social Affairs**, the **Employment Service of Slovenia** and the **Health Insurance Institute of Slovenia**. Other important actors involved in this initiative are interested members of the public, experts, representatives of companies, chambers and other various associations.

#### **Measures to turn undeclared work into regular employment** (National Action Plan for Employment 2004)<sup>281</sup>

The **National Action Plan for Employment 2004**<sup>282</sup> sets as a objective the transformation of the undeclared work into regular employment. Slovenia developed indicators for monitoring undeclared work and employment. In 2004, the **Ministry of Labour, Family and Social Affairs** (*Ministrstvo za delo, družino in socialne zadeve*) began to implement a measure of active employment policy intended to turn undeclared work into registered work. The legal framework for this measure was set up in 2000, when the Slovenian government adopted the **Act on Prevention of Illegal Work and Employment**. The act was amended in December 2006. According to Article 7 of this act, personal supplementary work is not deemed illegal. The act amending the Act on the Prevention of Illegal Work and Employment introduces two additional exceptions to the category of undeclared work. These include so-called 'short-term work' and 'small work'. The former is reserved for family members working occasionally – up to 40 hours a month – in family businesses with less than 10 employees, while the latter allows work to be carried out legally through a special contract with the employer. Small work is defined as work carried out by someone who is not a full-time employee (working a maximum of 20 hours a week or 40 hours a month, with the wage not exceeding 50% of the minimum wage), does not perform freelance work and is not receiving a pension. The employer must register such a person for social security and wage-related contributions. The performance of such work does not require an employment contract under the Employment Relationships Act. Unfortunately, this measure may easily be abused by participants. The major abuse of the personal supplementary worker status, according to the inspectors who monitor the measure, is that persons registered for occasional work are performing this work continuously over the whole year.

#### **Inspections by the Commission for exposing and preventing undeclared work and employment**<sup>283</sup>

Besides the individual actions of different supervisory bodies, the Commission for exposing and preventing undeclared work and employment co-ordinated and conducted many joint actions (267 in the year 2003) where the participation of at least two supervisory bodies facilitated the inspection.

---

<sup>281</sup> Idem.

<sup>282</sup> Slovenian National Action Plan for Employment, 2004.

<sup>283</sup> European Employment Observatory, review: Autumn 2004.

### **Raising social awareness of the costs of undeclared work – workshops by government institutions**<sup>284</sup>

The Chamber of Crafts and Chamber of Commerce have organised several round tables on this issue. In the year 2003 the Commission and the Ministry of Labour, Family and Social Affairs organised seven regional workshops to exchange the experiences of many supervisory bodies and to strengthen the co-ordination between them on a local level.

#### **References**

- Website Eurofound, Slovenia  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry25.htm>
- Website of the Slovenian Labour Inspectorate  
<http://www.id.gov.si/en/>
- Website of the Slovenian Ministry of Labour, Family and Social Affairs  
<http://www.mddsz.gov.si/en/>
- Website of the European Confederation of Private Employment Agencies (Eurociett)  
<http://www.euro-ciett.org/index.php?id=75>
- Republika Slovenija, Slovenian National Action Plan for Employment, 2004  
[http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti\\_pdf/nap04\\_05\\_en.pdf](http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/nap04_05_en.pdf)
- European Commission, European Employment Observatory, Review: Autumn 2004.  
[http://www.econbiz.de/archiv1/2008/51903\\_european\\_unemployment\\_observatory.pdf](http://www.econbiz.de/archiv1/2008/51903_european_unemployment_observatory.pdf)
- Website of Union Network International – Europa (UNI – Europa)  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)

## **SPAIN**

### **A. Departments/agencies responsible for tackling undeclared work**

**The Ministry of Labour and Immigration**, (*Ministerio de Trabajo e Inmigración de España*)<sup>285</sup> and the **Permanent Observatory of Immigration** (*Observatorio Permanente de la Inmigración*), attached to the Ministry, analyse information relating to the labour market and **immigration**. Spain experienced continuous economic growth from 1994 to 2007, which led to an increase in labour force demand, thereby favouring a higher volume of migration into the country. However, since late 2007 onwards, signs of an economic slowdown have become evident, causing a direct negative impact on the labour market in general and in particular on the labour situation of many migrant workers. And undeclared work is predominant among immigrant workers.

---

<sup>284</sup> Website of Eurofound, Slovenia.

<sup>285</sup> Website of the Spanish Ministry of Labour and Immigration.

The **Labour and Social Security Inspectorate** (*Inspección de Trabajo y Seguridad Social – ITSS*)<sup>286</sup> works under the Secretary for Labour and Immigration and is the responsible administrative body for monitoring the situations of undeclared work in Spain.

The Labour Inspectorate system is organised on the basis of two bodies of officials:

- deputy inspectors of employment and social security, primarily responsible for monitoring the employment of migrant workers and, in general, illegal workers;
- and labour inspectors whose activity focuses primarily on the actions in security and hygiene at work and working conditions.

Deputy inspectors of employment and social security make their visits as a result of complaints or higher order in the development of campaigns. Often visits are organised together with police officers, especially as regards the control of illegal employment of foreigners. Sectors such as agriculture, especially the work of a seasonal nature, and catering are subject to frequent inspections.

Matters related with posted workers are under the exclusive competence of the body of Labour Inspectors. The main subjects concerned, in practice, with this matter lies on the wage gap between Spain and Portugal, rising to situations of distortion of competition along the areas near to border. Posted workers are usually paid less than prevailing wages in Spain.

Domestic work in household is actually outside the scope of inspection due to the impossibility of entering a private home. Moreover, there are hardly any complaints from household workers.

Concerning the outsourcing in the construction sector the new duties established through the Law 32/2006 (Regulation of the outsourcing in the construction sites), specially the obligation to prove beyond the labour authority that you have a minimum of non fixed term contracts, that your workers had been properly trained in the OSH matters, and that the company acts regularly in the market, to obtain the qualification needed to work in construction sites (the register in the REA ) allows to prove the compliance of duties (Registration of accredited companies).

The Economic and Social Council is the highest consultative body to the Spanish Government in the socioeconomic policies elaborated in 2007 a study on underground economy.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

In relation to the application of the Personal Autonomy and Dependent Care Law (39/2006) requires a complex coordination between the central government and autonomous regions (17 autonomous communities and local communities). Between both levels of administration, some discrepancies have arisen concerning competences and financial obligations. At the same time, the provision of financial resources has encountered two obstacles: the forecasts of needs were undervalued, and the current economic crisis is contributing to a reduction in public income. These factors have led to a certain delay in the application of the law, mainly

---

<sup>286</sup> Website of the Spanish The Labour and Social Security Inspectorate.

in some autonomous regions. However, the central government has increased its financial contribution.

The economic crisis has burned the budget for the effectiveness of the Law concerning the outcrop of the black economy and both the central government and the autonomous regions had slowed the application of the law, then, it's too early to assess its effectiveness. Spain's political and administrative systems are strongly decentralised.

Recently, a new strategic has been drafted in which cooperation is foreseen between the Financial Inspectorate and Labour Inspectors tackling fraud in the areas, taxes, work conditions and social security contributions.

It will focus on several areas:

- to raise awareness between public in general about the importance of the compliance of social duties (school campaigns, training);
- simplification of administrative procedures with the extension of a whole certificate of compliance of tax duties and social contributions;
- information sharing between Inspections and authorities;
- the transport sector, where frequently situations of undeclared work are encountered;
- the control of the not declared working places;
- control of the seasonal agriculture activities: detection over the data of the last year: size of the land and number of workers registered;
- prevention of social contributions fraud;
- control of the activities of the scholarships, detect the existence of true labor contracts under the disguise of training grant;
- special attention to the control of the work developed for the false independent workers;
- special attention to the control of the enterprises not included in the RED (electronic system for the most frequent administrative procedures, obligatory for the enterprises) system, or that enjoy some benefits in social contributions;
- control of the supplementary work hours not declared;
- inspection of the part-time work, especially after a full time contract.

### C. Existing cross-national cooperations on undeclared work

Spain participates in the **Union Network International – Europa** (UNI – Europa).<sup>287</sup>

Spain is a Member State of the European **Confederation of Private Employment Agencies** (Eurociett)<sup>288</sup> along with Portugal, the Czech Republic, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, Austria, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia.

Spain has also concluded bilateral agreements, which provide for the organisation of visits by joint inspection teams, and which are carried out in each other's country. The agreements also provide for mutual information exchange and training. There is, for instance, joint training with inspectors from the Portuguese labour inspectorate as well as a compendium of

---

<sup>287</sup> Website of Union Network International – Europa (UNI – Europa).

<sup>288</sup> Website of the European Confederation of Private Employment Agencies (Eurociett).

terminology to assist Spanish and Portuguese inspectors to better understand one another's systems.<sup>289</sup>

Under the leadership of the Spanish Inspectorate for Labour and Social Security and along with EC funding, a network was created between European inspectorates called the CIBELES project. Participating countries include Austria, Belgium, France, Germany, Hungary, Italy and Portugal. The aim is to build channels for easy information exchange, to collect knowledge in order to build a basis for cross-border enforcement and mutual assistance and finally, to provide guidance to the European Commission.<sup>290</sup> In addition the Labour and Social Security Inspectorate is part of the European project to create a network at European level to detect and combat undeclared work (ICENEW).

Spain has signed a bilateral agreement on labour migration with the government of Bulgaria, which seeks to limit undeclared work by Bulgarians abroad.<sup>291</sup>

We have been working last year with the Labour Inspectorate of Portugal to establish a collaboration frame which could provide sharing data bases and information about the legal requirements existing in Portugal and Spain to post workers abroad. The first step has been concluded late 2009, with the elaboration of a 'Vademecum' that collect all the relevant information about the situations under control of the labour inspectorate, so it's too early to assess its effectiveness. It provides a very good guidance about the legal requirements existing in Portugal related with matters as OSH, social security contributions, wages structure.

Likewise, on border regions, joint visits had been developed with inspectors from both countries, namely during the building of common infrastructures.

## **D. Measures to tackle undeclared work<sup>292</sup>**

### **Law to support care of dependent people<sup>293</sup>**

On 1 January 2007, the Personal Autonomy and Dependent Care Law (39/2006) came into effect in Spain. It guarantees public support for people who cannot lead independent lives for reasons of illness, disability or age. The diversity of care arrangements covered by the bill will lead to the creation of formal employment and to a regularisation of previously undeclared employment, which is rather common in the field of domestic care. It is estimated that the new law will contribute to the creation of between 300,000 and 500,000 formal jobs – including the 115,000 existing informal carers of elderly people – over an eight-year period; the law is coming into effect on a gradual basis.

---

<sup>289</sup> International Labour Organisation's Working Document Number 7, 2010.

<sup>290</sup> Idem.

<sup>291</sup> Website of the European Industrial Relations Observatory Online (EIROOnline).

<sup>292</sup> Website of Eurofound, Spain.

<sup>293</sup> Idem.



### **District employment services for domestic work<sup>294</sup>**

In the district of Nazaret in València, an employment office along with a range of other services were created several years ago for women working in domestic services. The initiative was supported by a number of institutions, mainly public and religious, and was managed by an association. The office and services have since evolved and are now offered in a more organised way, and to other groups and occupations. The initiative promotes the creation of employment and of formal work contracts.

The main objective of the employment office has been to facilitate the adjustment of supply and demand in domestic services. Prices and conditions of work are identified. An employment contact is then established between the employers and the female workers, allowing for an adjustment in work relationships. At the same time, through information, guidance and training on professional, social and personal attitudes and skills, access to employment is improved. Overall, the average number of people participating in the initiative in 2009 was 60 persons.

### **Regularisation process of foreign workers (2005)<sup>295</sup>**

In 2005 the Spanish Government endorsed a regularisation process of all foreigner workers who were in Spain at least three years before the approval of the process and had obtained a job offer to work for at least six months. As a consequence, more than 500,000 immigrants obtained a legal working situation.

In June 2006 the Government launched an ambitious set of measures to promote permanent work through different monetary incentives and benefits in social security contributions, which in turn could cause a perceivable effect on the rates of irregular work. It has been very efficient in its moment because it allowed to declare a lot of jobs and to obtain an important contribution to the social security funds. The current shortage of jobs has pushed the immigration issue on a secondary level in policies to combat labour fraud, among other things, because the number of immigrant workers who seek employment has fallen significantly

### **References**

- González Gago, E., and Sánchez, L., European Employment Observatory, Article on Undeclared Work from SYSDem Correspondent, Centre for Economic Studies Tomillo, S.L., May 2007.  
[http://bancadati.italialavoro.it/BDD\\_WEB/bdd/publishcontents/bin/C\\_21\\_Benchmarking\\_4\\_05\\_documenti\\_itemName\\_0\\_documento.pdf](http://bancadati.italialavoro.it/BDD_WEB/bdd/publishcontents/bin/C_21_Benchmarking_4_05_documenti_itemName_0_documento.pdf)
- Website Eurofound, Spain  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/udwbycountry26.htm>
- Tomey, L., European Industrial Relations Observatory Online (EIROOnline), 2004  
<http://www.eurofound.europa.eu/eiro/2004/06/tfeature/BG0406202T.htm>
- Website of the Union Network International – Europa (UNI – Europa)  
[http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204\\_xjcwEn](http://www.uniglobalunion.org/Apps/iportal.nsf/pages/20090204_xjcwEn)
- Labour inspection in Europe: undeclared work, migration, trafficking, International Labour Organisation's Working Document Number 7 – Geneva, January 2010.

---

<sup>294</sup> Idem.

<sup>295</sup> Article on Undeclared Work from SYSDem, European Employment Observatory 2007.

[http://www.oit.org/wcmstp5/groups/public/---ed\\_dialogue/---lab\\_admin/documents/publication/wcms\\_120319.pdf](http://www.oit.org/wcmstp5/groups/public/---ed_dialogue/---lab_admin/documents/publication/wcms_120319.pdf)

- Website of the European Confederation of Private Employment Agencies (Eurociett) <http://www.euro-ciett.org/index.php?id=75>
- Website of the Spanish Ministry of Labour and Immigration <http://www.tt.mtin.es/eu2010/es/index.html>
- Website of the Spanish The Labour and Social Security Inspectorate (Inspección de Trabajo y Seguridad Social, ITSS) [http://www.mtin.es/ITSS/web/Quienes\\_somos/Organigrama/index.html](http://www.mtin.es/ITSS/web/Quienes_somos/Organigrama/index.html)

## SWEDEN

### A. Departments/agencies responsible for tackling undeclared work

In Sweden, undeclared work is commonly described as '*svartarbete*' ('black work'). The definition of '*svartarbete*' is broad and includes both unreported wage payments and unreported income from sales in a company and also unreported withdrawals and private expenses that have been deducted in the company. Combating undeclared work is seen as constituting a 'high priority' of the Swedish Government and the current centre-right government considers undeclared work to be problematic as it 'distorts competition, undermines the legitimacy of the tax system and, in the long run, threatens welfare' (European Employment Observatory 2007: 1).

According to a report published by the Swedish Tax Agency (*Skatteverket* 2006) the extent of undeclared work was estimated to be 5 % of GDP. The main part is related to the company sector and is of great concern as it threatens fair competition. Domestic activities such as childcare, cleaning and repairs accounted for about ten per cent of total black work according to the report. Though household related activities are a minor part of all black work in Sweden it constitutes controversial aspects of the problem, leading the government to implement a tax deduction for household related services, taking effect on 1 July 2007.

The experience from the Swedish study of black work is that by asking people in surveys you will catch about 10-15% of the incomes from black work and predominantly black work in households which is visible to the normal citizen. In comparison with other countries, purchase of undeclared work is reported by the European Employment Observatory as 'relatively common in Sweden', with around 800,000 persons or 13% of the population aged 18-74 undertaking undeclared work, equivalent to 66,000 full time jobs, performed by predominately males; most often these people are young persons (students or national service conscripts), skilled craft workers and/or the owners of small businesses (figures are based on a survey to the public). The figures are based on a survey study to the public and catch very little of black income in the company sector. When comparing the result to other countries one should bear in mind that practically all income should be taxed according to Swedish tax legislation.

The overall picture is that black work, measured as a percentage of GDP, has been of the same size for a very long period. Still undeclared work related to household related services (for example building repairs and cleaning services bought by private households) is reported to have increased during the last decade and 'tax morality' is declining in this sphere. In this context, some policy initiatives have been taken. The centre right government has introduced a tax deduction for household related activities, namely a reduction of 50% of labour cost up to a ceiling of 100,000 SEK which means a maximum reduction of 50,000 SEK per year (approx 5,000 euros) and taxpayer.

In Sweden, the lead agency for undeclared work prevention is the **Swedish Tax Agency**, [Skatteverket](#). The agency has been active in the fight against undeclared work in the taxi sector, construction and services such as restaurants and hairdressing where high profile campaigns have been launched (as in construction, with the social partners). The **Swedish Work Environment Authority** plays only a marginal role having been subject to severe cut-backs in personnel and mainly focused on preserving working environment health and safety standards.

## **B. Cross-agency cooperation on strategy, operations and data sharing**

Cooperation exists between the Swedish Tax Agency, the Swedish Working Environment Authority, the Swedish National Council for Crime Prevention exists. In construction, a co-operative strategy has been developed between agencies and social partners to implement an identity card system, the ID06 project (European Foundation 2009a). The scheme was attractive, as it was seen as preventing the enactment of even stricter regulation, as instituted in hairdressing and restaurants sectors, for example, allowing unannounced visits to premises (European Foundation 2009b, 2009c). Since the early 2000, concerted efforts to raise social awareness of undeclared work have been undertaken through joint information campaign by the tax authority and the Economic Crime Authority (*Ekobrottsmyndigheten*). The cooperation has also involved branch organisations and trade unions in various sectors of the economy, in particular the construction sector (European Employment Observatory 2007: 6). The weakness of these cross-agency campaigns appears to be that they were not sustained at previous levels over a continuing period.

## **C. Existing cross-national cooperations on undeclared work**

The country is also a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>296</sup> along with Portugal, Spain, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, the Czech Republic, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, the United Kingdom, France, Belgium, the Netherlands, Denmark, Norway, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a legal alternative in sectors often plagued by illegal labour, agency work can serve as a

---

<sup>296</sup> European Confederation of Private Employment Agencies (Eurociett).

means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>297</sup>

Sweden has agreements with Norway and Finland on cooperating in the field of social security through data exchange and data matching.

In the frame of the cooperation among Director Generals Tax in the Baltic Sea Region there have been three 'subgroups' with the following tasks:

Subgroup 1: To analyse what information should be exchanged 'over the borders' regarding companies and individuals.

Subgroup 2: To discuss in what way it will be possible to inform the companies (and individuals) about the tax rules concerning companies and individuals that just temporarily - under the time limit not to be taxed according the laws – normally six month – works in an other country.

Subgroup 3: To run some simultaneous audits.

The first two subgroups do not longer exist and the third is finalising the audits in the course of 2010.

## D. Measures to tackle undeclared work

Sweden makes use of compliance and enabling measures. Sweden has new tools for tackling undeclared work, making use of single rates for small businessmen. Since 2010 all cash trade must be registered.<sup>298</sup>

### References

- European Employment Observatory, Article on Undeclared Work from SYSDM Correspondent (Update of EEO Review: Autumn 2004) Sweden, Dominique Anxo, CELMS 2007.  
<http://www.eu-employment-observatory.net/resources/reviews/NationalArticles/SwedenUDW2007.pdf>
- European Foundation for the Improvement of Living and Working Conditions (2009a) ID06 project in construction sector, Sweden.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/se002.htm>
- European Foundation for the Improvement of Living and Working Conditions (2009b) Statutory staff registers in restaurants and hairdressers in Sweden  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/se003.htm>
- European Foundation for the Improvement of Living and Working Conditions (2009c) Detection and prevention of illegal activities in the taxi business, Sweden.  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/cases/se003.htm>

---

<sup>297</sup> The agency work industry around the world (2009).

<sup>298</sup> Expert Workshop undeclared work (2010) Vilnius.

- *Skatteverket* (2006) Purchasing and performing undeclared work in Sweden Part 1: Results from various studies. Report 2006:4B.  
<http://www.skatteverket.se/download/18.3dfca4f410f4fc63c8680003885/swedish+report+200604B+.pdf>
- Expert workshop undeclared work (18-19 May 2010), Regioplan Vilnius.

## SWITZERLAND

Since 1 January 2008 the fight against undeclared work is specified in the ***Bundesgesetz gegen die Schwarzarbeit*** (BGSA). In the BGSA three types of measures are identified: raising awareness, creating incentives and repression. Revisions to legal procedures under the new law and regulations include:

- a simplified procedure for withholding social security and income tax contributions by small employers;
- the sanctions for serious or repeated violations of the statutory provisions by the employer have been strengthened to allow for exclusion of an employer from public markets for a period of up to five years or the reduction of public financial aid to such employers for the same period;
- if foreign nationals who have carried out undeclared work are to be sent home, the authorities shall inform such individuals that they may be able to exercise legal rights against former employers concerning undeclared work (for example, if they were paid at less than the minimum wage rate, they may seek payments equivalent to the difference between what they were paid and the minimum wage rate), and that they can appoint a representative to exercise their respective rights (presumably after having left the territory of Switzerland).

### A. Departments/agencies responsible for tackling undeclared work

Combating undeclared work in Switzerland is organised on a Cantonal level. Each of the twenty-six Swiss cantons have designated a **central cantonal authority** entrusted with the strengthened supervisory powers established by the amendments as regards undeclared work.

In 2008, nearly 60 inspectors carried out 9.264 controls in all sectors and regions of Switzerland to combat undeclared work. They checked Employers and employees on compliance with social security-, immigration-, tax- and VAT-legislation.

### B. Cross-agency cooperation on strategy, operations and/or data sharing

The authorities of the cantons and the federal government with competence in the field of labour inspection, labour and unemployment insurance, employment, police, refugees and

aliens, civil status and taxation, work with the cantonal enforcement authorities. The same applies to authorities of the cantons Federal government and private organisations that are responsible for the enforcement of social security legislation.

These authorities are inform the cantonal supervisory body of findings that may indicate undeclared work being carried out.

The **cantonal supervisory board** reports annually on its activities to the **State Secretariat for Economic Affairs (SECO)**.

### C. Existing cross-national cooperations on undeclared work

No information available

### D. Measures to tackle undeclared work

No information available

#### References

- SECO (2009), *Umsetzung des bundesgesetzes über Massnahmen zur Bekämpfung der Schwarzarbeit*. ([http://www.seco.admin.ch/aktuell/00277/01164/01980/index.html?lang=en&print\\_style=yes&msg-id=26933](http://www.seco.admin.ch/aktuell/00277/01164/01980/index.html?lang=en&print_style=yes&msg-id=26933))
- SECO (2009), *Bekämpfung der Schwarzarbeit: 60 Inspektoren, über 9000 Kontrollen*.
- *Bundesgesetz über Massnahmen zur Bekämpfung der Schwarzarbeit* (2005)

## UNITED KINGDOM

### A. Departments/agencies responsible for tackling undeclared work

In the UK, no one government agency has overall responsibility for tackling undeclared work. Instead, there are a range of different departments working mostly independently that tackle different segments of the undeclared sphere and each have separate targets concerning what they seek to achieve. Cooperation between these departments is limited.

**Department for Work and Pensions (DWP)** – tackling undeclared work is part of the wider issue of error and fraud in the payment of welfare benefits, and the focus is upon those ‘working whilst claiming’. It is estimated that only 30% of those caught working whilst claiming benefits are engaged in undeclared work. The interests of DWP, in consequence, overlap only at the margins with HMRC on undeclared work.

**Her Majesty’s Revenue and Customs (HMRC)** – HMRC is primarily interested in those not reporting or under-reporting their income tax liabilities. Since November 2006, the Local Compliance Unit has had responsibility for tackling undeclared work and within this, there are 20 dedicated hidden economy teams located around the country. In total, some 1270

staff tackle undeclared work at a cost of £41 million. In 2006/07, the department achieved an overall return of around 4.5:1 on the £41 million it spent.

**Dept of Environment, Food and Rural Affairs (DEFRA)** – DEFRA's main involvement in undeclared work is in the agricultural, horticultural and fishing industries. For DEFRA, therefore, the focus is upon breaches to labour law, particularly the minimum wage.

**Home Office/Border and Immigration Agency** - their major interest in undeclared work again relates to the flouting of labour law, particularly where illegal workers are employed. Indeed, during 2004, legislative action was taken to tighten the laws preventing illegal working using secondary legislation in relation to section 8 of the Asylum and Immigration Act 1996, the main preventative check on the use of illegal labour by employers. The strategy is to progressively deny work, benefits and services to people in the country illegally.

**Health and Safety Executive (HSE)** – this agency promotes compliance with health and safety legislation by carrying out inspections, giving advice and enforcing undertakings and reports to Ministers in the Department for Work and Pensions (DWP) as its sponsoring department. However, it has a degree of independence.

**Employment Agency Standards Inspectorate (EAS)** – a division of the Employment Relations Directorate in the Department for Business, Enterprise and Regulatory Reform (BERR), this oversees employment agencies operating in the UK, carries out routine inspections and investigates complaints.

**Gangmasters Licensing Authority (GLA)** – this regulates those supplying labour or using workers to provide services in agriculture, forestry, horticulture, shellfish gathering and food processing and packaging. The GLA checks licence holders to make sure there is a continuous compliance with the licence conditions (including working conditions of workers), takes enforcement action against those who operate illegally or who for other reasons are judged unfit to hold a licence.

**HM Treasury** – has a developing interest in this sphere not least so as to fill the current 'black hole' in public finances

**Office of National Statistics (ONS)** – has an interest in measuring the size of this sphere.

The result is a fragmented approach towards tackling undeclared work. Each department has its own particular segment of undeclared work. These segments partially overlap but not fully. Traditionally, the tax (HMRC) and social security (DWP) offices have taken the lead role on tackling undeclared work.

## **B. Cross-agency cooperation on strategy, operations and/or data sharing**

### **Strategy**

**Informal Economy Steering Group (IESG)** – established in March 2000 to implement the recommendations of the Grabiner report. Chaired by the HMRC, and includes officials from HMRC, DWP, DEFRA and the Home Office. Operation Gangmaster reports to the Steering Group. In the past few years, however, this cross-departmental cooperation has ceased to operate, leaving the UK bereft of any coordinating agency.

### **Operations**

**Informal Economy Working Group (IEWP)** – this supported and reported to the IESG, and concerned itself with operational issues. It was chaired by HMRC, and attended by HMRC, DWP, the Home Office and DEFRA. It too has ceased to operate, leaving the UK also bereft of any coordinating agency on operations.

**Fair Employment Enforcement Board** – created to promote collaboration between labour law enforcement bodies, especially on working time and the national minimum wage. The Board is comprised of a Minister in the Chair, HMRC, the Employment Agency Standards Inspectorate, HSE, GLA, DEFRA, the Confederation of British Industry, the Trades Union Congress, the Federation of Small Businesses, and Citizens Advice.

### **Data sharing**

Legal authority is needed before government departments and agencies can share data and any legally authorised data exchange must accord with the Data Protection Act 1998 and the requirements of the Human Rights Act 1998. For example, government was unwilling to give provision in the Social Security Fraud Act 2001 for DWP to obtain information from banks and other financial institutions on benefit claimants judged to be at high risk of committing fraud. Instead, the power was limited to cases where reasonable grounds for suspicion of fraud exist. Within such confines, nevertheless, the legal gateways to enable data sharing between departments have expanded considerably this decade. DWP sources data on National Insurance contributions and tax credits from HMRC as well as on hidden capital that may affect benefit entitlements. It also sources data held by banks and other financial institutions in relation to those considered to be at high risk of committing fraud. Joint computer audit teams are based in Edinburgh, the West Midlands, London, Reading and Manchester. On data matching, 72 different runs take place and the intervals range from weekly to six monthly. Some 34 data-matching runs take place weekly to identify anomalies (e.g., customers claiming IS whilst their partner is working, children being claimed for by more than one customer and a customer claiming JSA whilst in employment). The frequency of each run is largely dependent on the refresh rate for the data and the capability of the data provider to supply data strips. Such runs produce a significant number of inconsistencies. Between April 2003 and February 2004, for example, 217,510 inconsistencies in data for further investigation were identified by the DWP data-matching service with a total saving of £39 million, not all of which related to ‘working whilst claiming’.

## **C. Existing cross-national cooperations on undeclared work**

The country is also a Member State of the **European Confederation of Private Employment Agencies (Eurociett)**<sup>299</sup> along with Portugal, Spain, Italy, Slovenia, Greece, Hungary, Slovakia, Poland, the Czech Republic, Luxemburg, Switzerland, Germany, Macedonia, Turkey, Ireland, France, Belgium, the Netherlands, Denmark, Norway, Sweden, Finland and Estonia. Among other things, the European Confederation of Private Employment Agencies works for decreasing the level of undeclared work. By serving as a

---

<sup>299</sup> European Confederation of Private Employment Agencies (Eurociett).



legal alternative in sectors often plagued by illegal labour, agency work can serve as a means of fighting undeclared work. Workers can then take full advantage of all the legal protection and enforcement mechanisms available to them, unlike the often unstable and potentially risky work available through illegal channels.<sup>300</sup>

An active cooperation exists between the **Gangmasters Licensing Authority** and the Bulgarian **General Labour Inspectorate**. An agreement was reached between Bulgaria and the UK during a meeting held in January 2009 and initiated by the British Embassy in Bulgaria. The need for such an agreement was proposed following incidents investigated by the Gangmasters Licensing Authority when Bulgarian seasonal workers in the agriculture sector reported that they were exploited in the UK. The incidents also involved cases of violation of legislation by Bulgarian intermediary companies and Bulgarian and British employers.<sup>301</sup>

Furthermore, the United Kingdom has a Memorandum of Understanding with the Netherlands. Besides that, they were involved in the Working group on European Benefit fraud. However, due to budgetary reasons they cannot take part anymore.

## D. Measures to tackle undeclared work

At the moment, compliance measures are most common in the United Kingdom. The UK wants to go in the direction of using more enabling measures<sup>302</sup>.

### References

- European Confederation of Private Employment Agencies (Eurociett), <http://www.euro-ciett.org/>
- Ciett, the agency work industry around the world [http://www.ciett.org/fileadmin/templates/ciett/docs/Agency\\_work\\_industry\\_around\\_the\\_world\\_-\\_2009\\_Edition.pdf](http://www.ciett.org/fileadmin/templates/ciett/docs/Agency_work_industry_around_the_world_-_2009_Edition.pdf)
- The Gangmasters Licensing Authority (GLA) (2009) <http://www.gla.gov.uk/>
- Expert workshop undeclared work (26-27 April 2010), Regioplan Amsterdam

---

<sup>300</sup> The agency work industry around the world (2009).

<sup>301</sup> The Gangmasters Licensing Authority (GLA) (2009).

<sup>302</sup> Expert workshop undeclared work (2010), Amsterdam



**ANNEX 6**
**Summary relevant institutions**

<b>Country</b>	<b>Main representative</b>	<b>Representative 2</b>	<b>Representative 3</b>
<b>Austria</b>	Federal Ministry of Economy, Family and Youth	The Labour Inspectorate	Ministry of Finance, ( <i>Kontrolle der illegalen Ausländerbeschäftigung – KIAB</i> )
<b>Belgium</b>	Federal Ministry of Employment, Labour and Social Dialogue	Social Intelligence and Investigation Service (SIOD)	Federal Ministry of Social Security
<b>Bulgaria</b>	The Ministry of Labour and Social Policy	National Social Security Institute	National Revenue Agency
<b>Cyprus</b>	Ministry of Labour and Social Insurance	Social Partners	Department of Inland Revenue
<b>Czech Republic</b>	Ministry of Labour and Social Affairs	State Labour Inspection Office	The Multi-ministerial Body for Combating the Illegal Employment of Foreign Workers
<b>Denmark</b>	Ministry of Taxation, Tax authority	National Directorate of Labour	Danish migration service
<b>Estonia</b>	Estonian Tax and Customs Board	Labour Market Board	Labour Inspectorate
<b>Finland</b>	Ministry of Employment and the Economy	Tax Administration	VIRKE project
<b>France</b>	Comité national de lutte contre la fraude (CNLF)	Délégation nationale à la lutte contre les fraudes (DNLF)	Agence central des organismes de sécurité sociale (ACOSS)
<b>Germany</b>	Federal Ministry of Finance	Finanzkontrolle Schwarzarbeit der Zollverwaltung (FKS)	Federal Ministry of Labour and Social Affairs
<b>Greece</b>	The Labour Force Employment Organisation	The Greek Corps of Labour Inspectors (SEPE)	Social Insurance Fund (IKA).
<b>Hungary</b>	The Ministry of Social Affairs and Labour	The Hungarian National Labour Inspectorate	Confederation of Hungarian Employers and Industrialists (MGYOSZ)
<b>Iceland</b>	Internal Revenue Directorate	The Directorate of Labour	Social partners
<b>Ireland</b>	National Employment Rights Authority (NERA)	Irish Tax and Customs	Hidden Economy Monitoring Group
<b>Italy</b>	National Committee for the Formalisation of Non-Registered Labour	Ministry of Labour, Health and Social Policies	The National Social Security Institute
<b>Latvia</b>	State Revenue Service	State Labour Inspectorate	The Ministry of Welfare
<b>Liechtenstein</b>	The Labour Inspectorate of Switzerland and Liechtenstein	Financial Control	Liechtenstein Employee Federation (LANV)

<b>Country</b>	<b>Main representative</b>	<b>Representative 2</b>	<b>Representative 3</b>
<b>Lithuania</b>	State Labour Inspectorate	State Tax Inspectorate	State Social Insurance Fund Board (SoDra)
<b>Luxembourg</b>	Interadministrative Unit for Combating Illegal Work (CIALTI)	Labour and Mines Inspectorate	Customs and Excise Administration
<b>Malta</b>	Employment and Training Corporation (ETC)	Ministry of Social Policy	Ministry of Education, Employment and Family
<b>Netherlands</b>	Ministry of Social Affairs and Employment	Tax Authority/Fiscal Intelligence and Investigation Service	Social Intelligence and Investigation Service
<b>Norway</b>	Norwegian Tax Administration	Labour Inspectorate	Social Partners
<b>Poland</b>	The National Labour Inspectorate (PIP)	Social Security Institute	Customs Service
<b>Portugal</b>	Ministry of Labour and Social Solidarity	Authority for Working Conditions	Regional Labour Inspectorates
<b>Romania</b>	Romanian Labour Inspectorate	Builders' Social Fund	National Institute for Scientific Research in the Field of Work and Social Protection
<b>Slovakia</b>	National Labour Inspectorate	Centre of Labour, Social Affairs and Family	Slovak Tax Administration
<b>Slovenia</b>	Slovenian Ministry of Labour, Family and Social Affairs	Slovenian Labour Inspectorate	National Employment Service of Slovenia
<b>Spain</b>	The Ministry of Labour and Immigration	Labour and Social Security Inspectorate	District Employment Services for Domestic Work
<b>Sweden</b>	Swedish Tax Agency	Swedish Work Environment Authority	Swedish National Council for Crime Prevention
<b>Switzerland</b>	State Secretariat for Economic Affairs (SECO)	Central Cantonal Authority regarding undeclared work	Social Partners
<b>UK</b>	Her Majesty's Revenue and Customs (HMRC) Hidden Economy Advisory Group	Department for Work and Pensions (DWP)	Gangmasters Licensing Authority (GLA)



**Regioplan Beleidsonderzoek**

**Nieuwezijds Voorburgwal 35**

**1012 RD Amsterdam**

**T 020 531 531 5**

**F 020 626 519 9**

**E [info@regioplan.nl](mailto:info@regioplan.nl)**

**I [www.regioplan.nl](http://www.regioplan.nl)**