



European Platform Undeclared Work

Tackling undeclared work in the agricultural sector

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EXECUTIVE SUMMARY

This study evaluates the prevalence, distribution and characteristics of undeclared work in the agricultural, forestry and fishing sector (henceforth 'agricultural sector') in the EU and how this can be tackled. To do so, the prevalence, distribution and characteristics of undeclared work in the agricultural sector, along with its systemic drivers, are analysed. This analysis then provides the evidence base for an analysis of how undeclared work can be tackled. To identify how to achieve this, an analysis is undertaken of the legislative and institutional frameworks, of the policy approaches for tackling undeclared work in the agricultural sector, and an evidence-based evaluation of the policy measures available.

Prevalence, distribution and characteristics of undeclared work in the agricultural sector

- **4% (1 in 25) of the EU workforce is in the agricultural sector**, according to Eurostat. However, this ranges from 20.7% in Romania and 11.8% in Greece to 1% in the UK and 0.9% in Luxembourg. Employment relations and undeclared work in this sector could be considered a higher priority in those Member States, largely in East-Central and Southern Europe, with larger proportions of the workforce in this sector. Its priority could be considered a lower priority in other Member States, largely in Western Europe and the Nordic nations, due to the smaller numbers employed in other Member States.
- **15% of the agricultural workforce (and 32% of all employees in the agricultural sector) have no written contract of employment** (compared with 5% for the overall EU28 workforce). 12% of all employees with no written contract in the EU28 are in the agriculture, forestry and fishing sector. One half (50.8%) of all employees with no written contract in the agricultural sector in the EU are in just two Member States: 38.1% in Poland and 12.7% in Italy.
- **27% of the agricultural workforce are in dependent self-employment** (compared with 4% of all employment in the EU28), and 51% of all self-employed in the agricultural sector are dependent self-employed. Indeed, 22% of all dependent self-employment in the EU is in the agricultural sector. Two-thirds of all dependent self-employed in agriculture are found in four Member States: Romania, Poland, Portugal and Italy.
- **9% (1 in 11) of agricultural employees receive envelope wages** (compared with 5% of all employees in the EU). Only the construction sector has a higher proportion of employees receiving envelope wages (10%).
- Those in dependent self-employment in agriculture are more likely to be men, older, with poorer educational levels, and born in the country they live and work in. Those with no written contract in agriculture are significantly more likely to be under 35 years old, born in the country they live and work in, and to witness financial difficulties in paying their household bills.
- Quantitative analysis of the 2015 European Working Conditions Survey (EWCS) (Eurofound 2016b) reveals that the dependent self-employed and employees with no written contract in agriculture have worse working conditions than the rest of the agricultural workforce in some respects (e.g. in relation to training), similar conditions in other respects (e.g. in relation to the physical work environment) and better working conditions in yet other respects (e.g. in relation to lower work intensity). This finding contrasts starkly with a multitude of small-scale in-depth qualitative studies which reveal the poor and exploitative working conditions of undeclared workers in agriculture.
- Working conditions in the agricultural sector are overall significantly poorer compared with employment in the rest of the economy (with the exception of the social environment, which is better, and work intensity, which is less).

Systemic drivers of undeclared work in the agricultural sector

Higher levels of undeclared work in the agriculture sector are a result of intense cost pressures from the food processing industry and food retailers to whom agricultural producers supply most of their output. There are also more generic drivers of undeclared work that also apply to the agricultural sector. These more generic drivers that are significantly associated with the prevalence of undeclared work in the agricultural sector in a country are:

- **Economic under-development** (measured by a lower level of GDP per capita)
- **A lack of modernisation of governance** (measured by: government effectiveness; European Quality of Governance Index; regulatory quality; the Corruption Perceptions Index; favouritism in decisions by government officials)
- **Lower levels of state intervention** in the economy and lower levels of deprivation (measured by: public expenditure on labour market interventions; the impact of social transfers, and severe material deprivation), and
- **Greater institutional asymmetry** (measured by trust in public authorities, and the rule of law).

Legislative and institutional frameworks

There are three key reasons for intentionally participating in undeclared work in the agricultural sector:

- to evade payment of the full tax contributions owed to the state;
- to evade payment of the full social insurance contributions owed such as pension and health insurances; and
- to evade having to meet certain legal labour standards, such as minimum wages and maximum hours.

As such, undeclared work in agriculture is of interest to authorities responsible for tax, social security and labour law compliance respectively.

For *tax administrations*, their main interest in undeclared work is the lost tax revenues that result from employers in the agriculture sector under-reporting their income to the state for tax compliance purposes.

For *social insurance institutions*, and for tax administrations responsible for social security contributions such as pension and health insurance contributions, their main interest is both the lost social contribution revenues that result from undeclared work in the agriculture sector, and the negative impacts on workers who may have reduced pension and health entitlements due to this non-declaration.

For those charged with ensuring *labour law compliance*, such as labour inspectorates, meanwhile, their main interest in undeclared work in the agricultural sector is the negative impacts on workers due to non-registration or other labour law violations (e.g., on working hours, holiday entitlements).

Policy approaches towards undeclared work in the agricultural sector

For the transformation of undeclared work into declared work in the agricultural sector, a **holistic approach** is necessary. This is where national governments use a whole government approach to tackle undeclared work, by joining-up on the level of both strategy and operations the policy fields of labour, tax and social security law, and involve and cooperate with social partners and other stakeholders. This approach involves using the full range of *direct* and *indirect* policy measures available to enhance the power of, and trust in, authorities respectively (Williams, 2017a). The objective is to transform undeclared work into declared work in an effective manner.

On the one hand, 'direct' tools can transform undeclared work into declared work by ensuring that it is a rational economic decision to engage in declared work. Deterrence

measures increase the costs of undeclared work ('sticks') and/or declared work is made more beneficial and easier using incentives ('carrots'). On the other hand, 'indirect' tools deal with the formal institutional failings to repair the social contract between the state and business and citizens to foster a high trust high commitment culture. These seek either to change the norms, values and beliefs regarding the acceptability of undeclared work, so that these are in symmetry with the laws and regulations (e.g. using awareness raising campaigns and educational initiatives), and/or to change the formal institutional imperfections.

Evidence-based evaluation of policy approaches

Reviewing the range of direct and indirect policy tools available, the following conclusions are reached:

- Increasing the penalties has little impact.
- Workplace inspections are less effective in the agricultural sector.
- The use of **notification letters** based upon data mining to identify risky agricultural enterprises is one partial solution, and Member State enforcement authorities should conduct pilot studies with various types of notification letter in the agricultural sector and consider the criteria for assessing what is a risky farm enterprise.
- Introducing a **written contract (by the first day of work)** is necessary if undeclared work is to be tackled in the agricultural sector.
- **Simplifying compliance** is also necessary to prevent both unintentional and intentional non-compliance, including: joined-up employment registration procedures; joint inspections; simplifying regulations for seasonal labour contracts and odd jobs, and enabling the development of employee sharing or co-employment initiatives.
- **Service vouchers** for seasonal workers are also a potentially useful tool.
- **'White lists'** should be used, as exemplified by the Quality Agricultural Work Network (*rete del lavoro agricolo di qualità*) in Italy.
- **Supply-chain due diligence** based on joint and several liabilities in subcontracting chains is a useful practice for transforming undeclared work into declared work.
- **Education and awareness raising campaigns** about the benefits of declared work and costs of undeclared work in agriculture should be developed which target either those involved in the agricultural sector in general or groups in the supply chain (e.g., seasonal workers, agricultural holdings, food manufacturers and retailers, or end consumers).
- This needs to be coupled with a **modernisation of state authorities** and improvements in the economic and social conditions that lead to undeclared work.

1. INTRODUCTION

It is now widely recognised that undeclared work is more prevalent in the agricultural, forestry and fishing sector (henceforth referred to as the 'agricultural sector') than in many other sectors of the economy. Given this, there is a need to understand the prevalence, characteristics and determinants of undeclared work in the agricultural sector in the EU. The full range of strategies that can be used to tackle undeclared work in the agricultural sector can then be analysed.

The aim of this study is to evaluate the prevalence and distribution of undeclared work in the agricultural sector across the EU and how this can be addressed. By the agricultural sector, we here refer to category A in the statistical classification of economic activities in the European Community (NACE Rev. 2), namely the 'agriculture, forestry and fishing' sector, which covers 'the exploitation of vegetal and animal natural resources, comprising the activities of growing of crops, raising and breeding of animals, harvesting of timber and other plants, animals or animal products from a farm or their natural habitats' (see Appendix 1 for the detailed methodology used). The specific objectives of this Report are to answer the following questions:

- ***What is the prevalence and what are the characteristics of undeclared work in the agricultural sector?*** What types of undeclared work are prevalent in the agricultural sector (e.g., unregistered employment, under-declared employment, dependent self-employment)? Are these forms of undeclared work more prevalent in the agricultural sector than in other sectors? Does the prevalence of each of these forms of undeclared work in the agricultural sector vary across the Member States of the European Union? Who undertakes these forms of undeclared work (e.g., age, gender, educational level, household financial situation)? Which employers use undeclared work in the agricultural sector (e.g., sizes of employer and business types)?
- ***What are the key drivers of undeclared work in the agricultural sector?*** Is the varying level of undeclared work in the agricultural sector across Member States associated with key structural economic and social conditions? If so, to which ones (e.g. trust in government, tax rates, quality of government, active labour market policy expenditure, levels of deprivation)? What implications does this have for tackling undeclared work in the agricultural sector?
- ***How can undeclared work in the agricultural sector be tackled?*** What direct and indirect policy approaches are currently used to tackle undeclared work in the agricultural sector? Are some more difficult to apply in the agricultural sector and why? What does the evidence tell us about what works and what does not work? What good practices can be identified? Are they transferable to other Member States? What policy initiatives could be used in the agricultural sector that are not currently widely used, and what form should they take?

The report will be structured as follows. Section 2 will evaluate the prevalence, distribution and characteristics of undeclared work in the agricultural sector, followed in section 3 by the systemic drivers leading to the prevalence of undeclared work in the agricultural sector. Section 4 then outlines the legislative and institutional frameworks followed in section 5 by the policy approaches available for tackling undeclared work in the agricultural sector. Section 6 then provides an in-depth evaluation of good practice policy initiatives for tackling undeclared work in the agricultural sector followed in Section 7 by concluding comments and a set of recommendations.

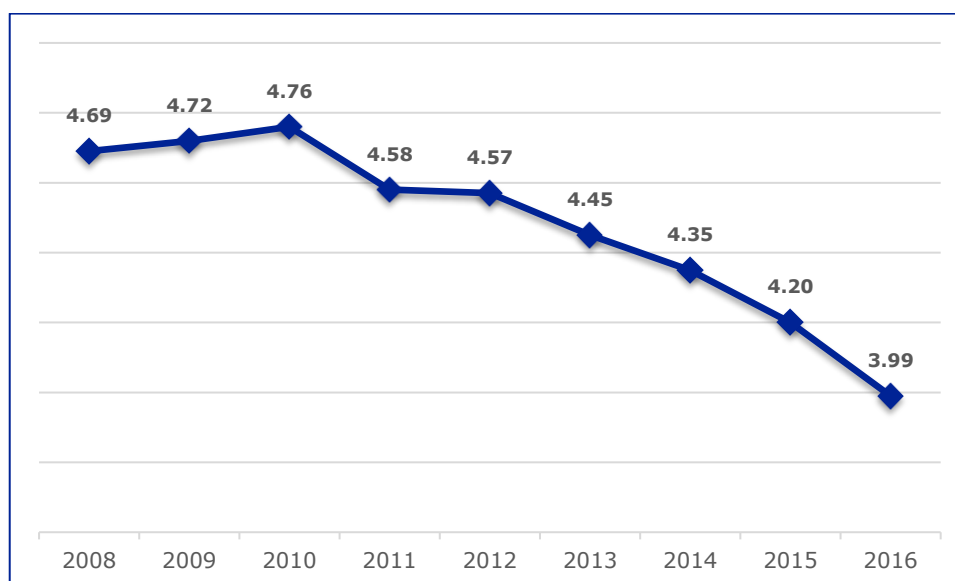
2. PREVALENCE, DISTRIBUTION AND CHARACTERISTICS OF UNDECLARED WORK IN THE AGRICULTURAL SECTOR

2.1 Introduction to the agricultural sector

2.1.1 Size of the agricultural workforce

As Figure 1 displays, the proportion of the workforce employed in the agriculture, forestry and fishing sector has been declining over the past decade in the Member States of the European Union (EU28). Whereas in 2008 4.7% of the total workforce was employed in this sector, by 2016, this had declined to just fewer than 4%.

Figure 1. Workforce employed in agriculture, forestry and fishing in the EU28 (% of all employment, 15 to 64 years, 2008-2016)



Source: Authors' own work based on EUROSTAT (2018)

However, there are marked variations in the proportions employed in this sector across the EU28. As Table 1 reveals, in 2016, the proportion of the workforce employed in the agriculture, forestry and fishing sector was highest in Romania (where 20.7% were employed in this sector), Greece (11.7%) and Poland (10.4%). The proportions employed in this sector were smallest in Germany (1.2%), Belgium (1.2%) the UK (1%) and Luxembourg (0.9%). As such, the issue of employment relations in the agricultural sector, and more particularly undeclared work in this sector, is likely to be more important to those Member States, largely in East-Central and Southern Europe, with larger proportions of the workforce in this sector. In Member States with lower proportions working in this sector, largely in Western Europe and the Nordic nations, employment relations, and more particularly undeclared work, in this sector is likely to be less of a priority due to the smaller numbers involved.

It is also important to note that although the proportion of the workforce employed in agriculture has declined in most Member States between 2006 and 2016, in some Member States, particularly in Southern Europe, the proportion employed in the agricultural sector has grown. In Greece it grew from 10.49% to 11.74% between 2006 and 2016, in France from 2.68% to 2.77%, in Hungary from 4.30% to 4.99%, in Italy from 3.53% to 3.71%, and in Spain from 3.98% to 4.18%. However, there is a need for caution regarding these numbers. These surveys may not capture all workers in the agricultural sector. The small changes in the share of the workforce formally employed in agriculture could therefore also be a result of an increase or decrease in the proportion working undeclared in the agricultural sector in these Member States.

Table 1. Workforce employed in agriculture, forestry and fishing, by country (% of all employment, 15 to 64 years, 2008-2016)

Country:	Year:									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Austria	4.60	4.64	4.69	4.42	4.16	4.04	4.26	3.97	3.85	↓
Belgium	1.48	1.44	1.31	1.23	1.10	1.30	1.13	1.10	1.15	↓
Bulgaria	7.04	6.85	6.68	6.63	6.29	6.51	6.88	6.74	6.65	↓
Croatia	10.89	11.38	12.54	12.85	10.59	9.55	8.65	8.26	6.79	↓
Cyprus	3.10	2.78	2.83	2.90	2.27	2.50	3.86	3.57	3.19	↑
Czech Republic	3.16	3.12	3.08	2.97	3.01	2.99	2.75	2.91	2.87	↓
Denmark	2.38	2.46	2.31	2.24	2.38	2.32	2.31	2.34	2.29	↓
Estonia	3.88	4.05	4.05	4.20	4.42	4.27	3.85	3.85	3.87	↓
Finland	4.19	4.30	4.15	3.97	3.83	3.83	3.89	3.81	3.45	↓
France	2.68	2.87	2.86	2.83	2.83	3.00	2.76	2.66	2.77	↑
Germany	1.68	1.56	1.54	1.53	1.45	1.34	1.33	1.31	1.24	↓
Greece	10.49	11.05	11.75	11.69	12.54	13.26	13.04	12.29	11.74	↑
Hungary	4.30	4.58	4.51	4.85	5.04	4.72	4.59	4.85	4.99	↑
Ireland	4.52	4.78	5.00	4.88	4.89	4.87	4.51	4.39	4.40	↓
Italy	3.53	3.51	3.60	3.52	3.51	3.42	3.46	3.58	3.71	↑
Latvia	7.72	8.47	8.31	8.70	8.14	7.79	7.30	7.73	7.60	↓
Lithuania	7.95	8.85	8.66	8.31	8.75	8.37	8.98	8.83	7.68	↓
Luxembourg	1.68	1.26	1.01	1.12	1.24	1.44	1.32	0.94	0.89	↓
Malta	1.78	1.39	1.31	1.09	0.95	1.21	1.18	1.48	1.27	↓
Netherlands	2.49	2.40	2.59	2.38	2.35	1.84	1.96	1.99	2.02	↓
Poland	13.33	12.73	12.59	12.43	12.18	11.65	11.22	11.34	10.41	↓
Portugal	7.23	7.29	7.13	6.50	6.82	6.61	5.54	4.78	4.46	↓
Romania	24.98	25.68	27.73	26.00	26.58	26.17	25.40	23.08	20.73	↓
Slovakia	3.93	3.59	3.24	3.09	3.25	3.31	3.48	3.16	2.87	↓
Slovenia	6.91	7.08	6.96	6.94	7.03	7.16	7.69	5.83	4.23	↓
Spain	3.98	4.06	4.15	4.06	4.18	4.25	4.21	4.09	4.18	↑
Sweden	1.88	1.91	1.84	1.77	1.75	1.79	1.68	1.70	1.64	↓
UK	0.99	0.99	1.05	1.05	1.04	0.92	1.07	0.95	0.96	↓

Source: Authors' own work based on EUROSTAT (2018)

2.1.2 Employment relations in the agricultural sector

During the past few decades, the so-called 'standard employment relationship' (SER) of formal, full-time and permanent waged employment is becoming ever less the standard relationship. Non-standard forms of employment ('NSE') are emerging. These are of four types:

1. Temporary employment: fixed-term contracts including project- or task-based contracts; seasonal work; and casual work, including daily work;

2. Part-time and on-call employment: normal working hours fewer than full-time equivalents, and includes part-time employment and on-call work, including zero-hour contracts;
3. Multi-party employment relationships, also known as 'dispatch', 'brokerage' and 'labour hire', which covers temporary agency work and subcontracted labour, and
4. Disguised employment, also known as 'dependent', 'sham', 'bogus' or 'misclassified' self-employment.

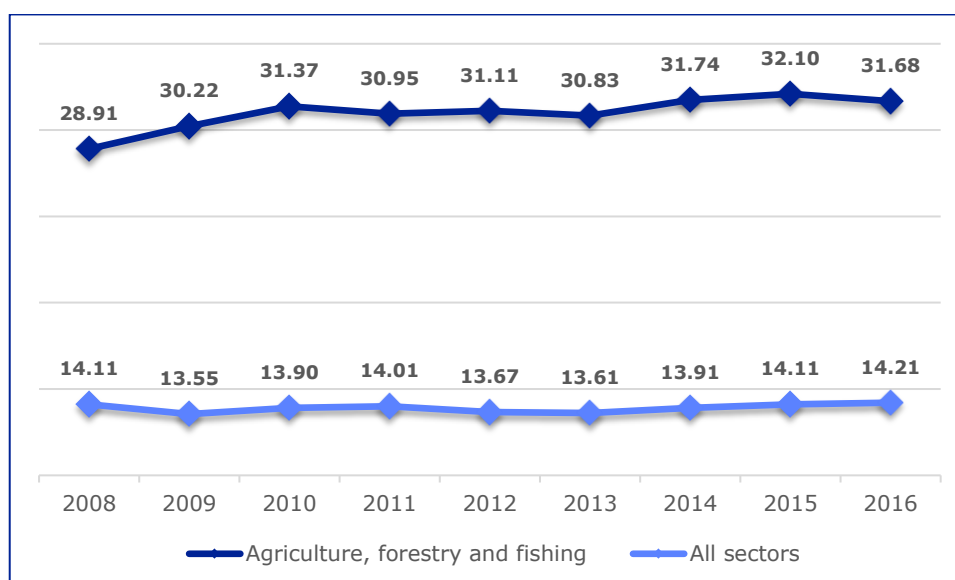
Besides these different forms of non-standard declared waged employment, two other forms of work that are not the SER can be also identified:

5. Undeclared work, which covers 'any paid activities that are lawful as regards their nature but not declared to public authorities, taking account differences in the regulatory systems of the Member States' (European Commission, 2007: 2), for tax, social security and/or labour law purposes when it should be declared, and
6. Self-employment, namely persons working in their own business, farm or professional practice who either work to earn profit, spend time on the operation of a business and/or are currently establishing a business.

Given that the SER has been the key vehicle for allocating rights and social protection, its diminution poses challenges for working conditions, rights and benefits (Eurofound, 2012a; ILO, 2016).

In agriculture, the SER is less prevalent than in the rest of the economy, and the NSE is much more prevalent. As Figure 2 reveals, in 2016, nearly 1 in 3 (31.7%) of all employees in agriculture were in temporary employment compared with 1 in 7 (14.2%) across all sectors of the economy. Unsurprisingly given the seasonal nature of food production, therefore, the agricultural labour force is characterised by high levels of temporary employment, and the proportion of the agricultural workforce in temporary employment has increased over time (from 28.9% to 31.7% between 2008 and 2016).

Figure 2. Temporary employment in the agricultural sector, EU28 (% of all employees, 15 to 64 years, 2008-2016)



Source: Authors' own work based on EUROSTAT (2018)

Indeed, to employ temporary employees in the agricultural sector, a range of methods are used, many of which have been identified as problematic in recent years. One such system is the "caporale" system in Italy (see Box 1).

Box 1. The “caporale” system, Italy

To recruit farm workers, an arranger - the *caporale* - hires the workers and transports them to their place of work. Workers are hired on a day-to-day basis mainly in public squares of villages by the *caporale* who sets the terms of employment and price. The farmer pays the wages to the *caporale* plus a commission. The *caporale* hires based on demand.

In Puglia, where workers earn €25-30 for a 12-hour workday, the fee deducted by caporali is €5 per day. Indeed, after deducting fees for transportation, food, phone top-ups, accommodation, money transfers, and number of crates filled, caporali have been asserted to pocket 40-50% of a worker’s daily pay.¹

In addition, workers are often paid for fewer days than they work, and the work is often not declared to the authorities. In Italy, one must work for more than 51 days a year to be able to receive social benefits. In Foggia, on average only 39 working days per person were declared to the authorities in 2013.²

According to the research institute Eurispes and UILA, the role played by foreign labourers hired seasonally is crucial to enable Italian agriculture to compete on global markets. A high proportion of the foreign workforce is employed irregularly and is subject to varying levels of labour exploitation. Whilst the real number of irregular migrants working in Italian agriculture is unknown, in 2014 the research institute Osservatorio Placido Rizzotto estimated that roughly 400 000 workers, of which 80% are foreign, are susceptible to being employed through illegal intermediation under *caporalato*. The institute estimated that about 100 000 of these workers experience severe exploitation and are forced to live in housing that is unsanitary and derelict.³ In 2014, irregular work was estimated by Eurispes to affect 32% of all agricultural workers. Being such a prevalent issue, illegality affects native and foreign workers alike. However, due to their migration status, non-EU foreign workers are found to be particularly vulnerable and disproportionately affected.⁴

Indeed, and as studies from Italy reveal, statistical surveys may not capture all workers in the agricultural sector, especially temporary, irregular and migrant workers (CENSIS 2012; Castagnone et al 2013; IREF 2014; Osservatorio Placido Rizzotto 2014; Centro Studi e Ricerche Idos 2014; Soletterre Irs 2015). This means that caution is therefore required regarding their results. This issue will be returned to below in section 2.4 on the working conditions of undeclared workers in the agricultural sector.

Although the use of temporary employees remains high in agriculture and shows no signs of reducing, this is not the case with part-time employment. As Figure 3 reveals, traditionally part-time employment has been higher in agriculture than the rest of the economy, but this is changing. By 2016, approximately the same proportions of the labour force were in part-time employment in agriculture as in the wider economy (some 1 in 5 employees).

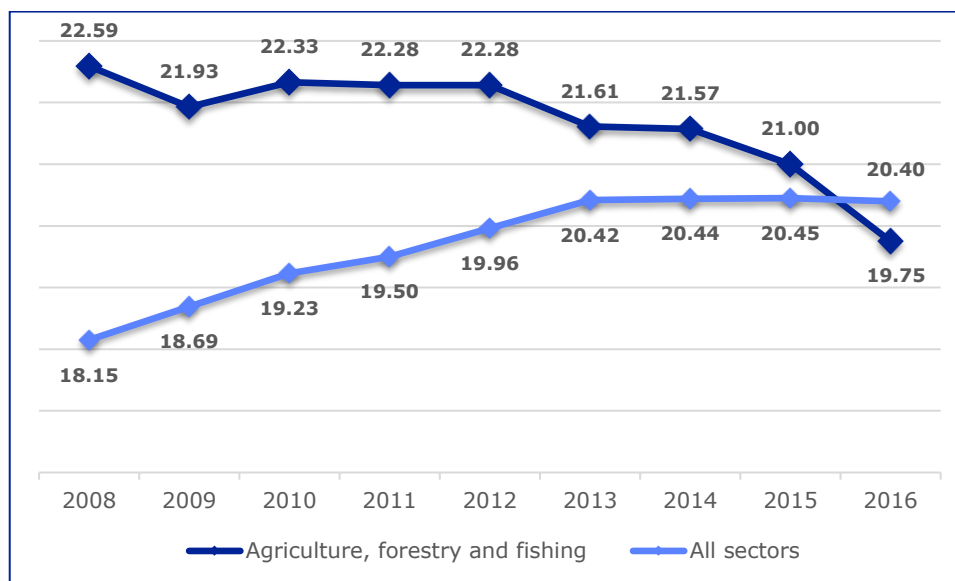
¹ Fanizza, F. L’immigrazione nelle aree rurali della Puglia: il caso della Capitanata in in Colloca, C. and Corrado, A. La globalizzazione delle campagne: migrant e società rurali nel Sud Italia (2012), Franco Angeli Editore at p. 109.

² Agricoltura e lavoro migrante in Puglia, p.39-40; Immigrazione Dossier Statistico 2013. Dalle discriminazioni ai diritti, Centro Studi e Ricerche IDOS, 2013.

³ Eurispes and UILA, *Undeclared work, Survey on undeclared work in agriculture, (Sommerso, Indagine sul lavoro sommerso in agricoltura)* Rome, 2014. Internet: <http://eurispes.eu/content/sintesi-sottoterra-indagine-sul-lavoro-sommersoagricoltura-eurispes-uila>

⁴ FLAI CGIL, Osservatorio Placido Rizzotto (2014) Agromafie e Caporalato, Secondo Rapporto, Ediesse Eurispes – UILA (2014) ‘#sottoterra - Indagine sul lavoro sommerso in agricoltura’ at p. 13.

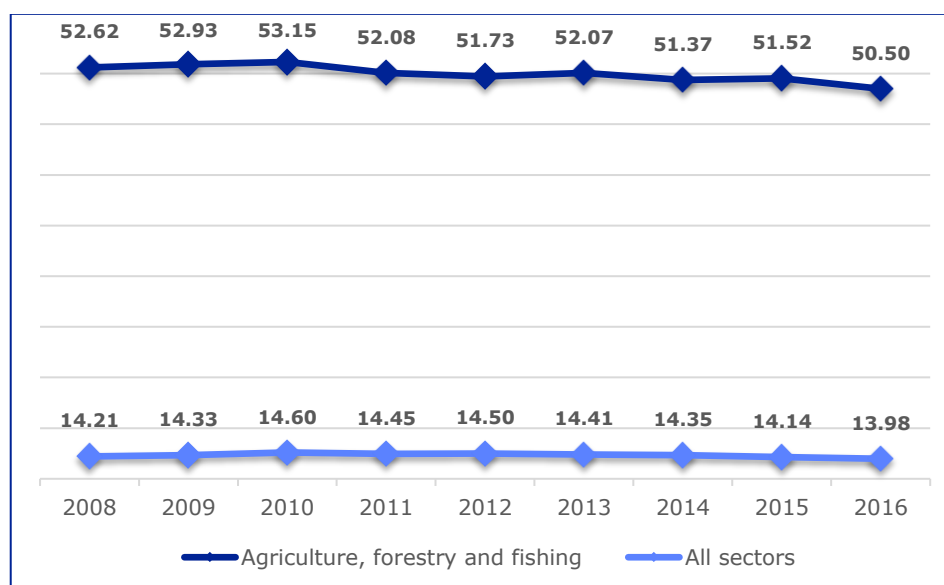
Figure 3. Part-time employment in the agricultural sector, EU28 (% , 2008-2016)



Source: Authors' own work based on EUROSTAT (2018)

As Figure 4 reveals, self-employment is much higher in the agricultural sector than in the economy in its entirety. Over half of the workforce in agriculture (50.5%) is self-employed in the EU compared with just 14% in the wider economy.

Figure 4. Self-employment in the agricultural sector, EU28 (% of all employment, 15 to 64 years, 2008-2016)



Source: Authors' own work based on EUROSTAT (2018)

Temporary employment, part-time employment and self-employment, therefore, have been traditionally much more common across the agricultural labour force than in the labour force in general, and the standard employment relationship (SER) much less prevalent.

Is there also evidence, however, that dependent self-employment and unwritten contracts of employment are also more common in this sector? Evidence that this is the case is provided by the sixth European Working Conditions Survey (EWCS) conducted in 2015, which interviewed 44,000 workers (both employees and self-employed people) in 35 European countries: the 28 EU Member States, the five EU candidate

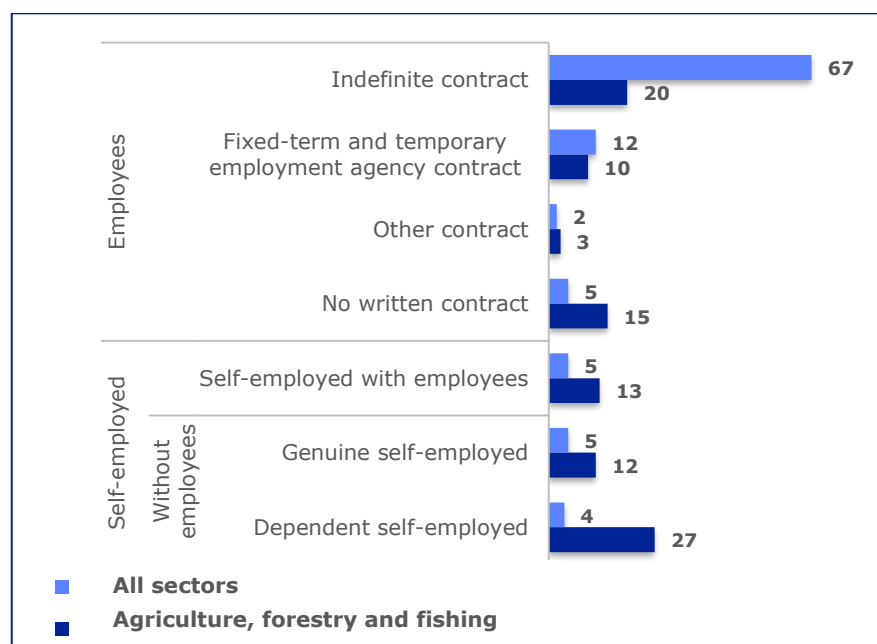
countries, and Norway and Switzerland (Eurofound, 2016). Figure 5 displays the results.

This reinforces the Eurostat finding that a half of the agricultural workforce is represented by employees in employment (48% compared with 86% for the overall EU28 workforce). Agriculture, therefore, is a sector dominated by self-employment; 52% of employment is self-employment (14% for the EU28 workforce as a whole).

Just 1 in 5 (20%) of the agricultural workforce are employees on permanent contracts compared with two-thirds (67%) for the EU28 workforce. The standard employment relationship (SER) is therefore not the norm in this sector. Instead, some 10% are on fixed-term contacts (12% for the EU28 workforce as a whole), 3% on other contracts (2% overall) and importantly, **15% of the agricultural workforce have no written contract of employment (5% for the overall EU28 workforce).**

Examining those in self-employment in agriculture, 13% are self-employed with employees (5% for the EU28 workforce overall), 12% are self-employed without employees (5% overall) and **27% of the agricultural workforce are dependent self-employed (compared with 4% of total employment in the EU28).**

Figure 5. Types of employment relationship in the agricultural sector, EU28 (% , 2015)



Source: Authors' own work based on EWCS (2015)

Given that **27% of the agricultural workforce are dependent self-employed and 15% have no written contract of employment, compared with 4% and 5% respectively of the EU28 workforce overall**, attention now turns towards a more complete understanding of undeclared work in the agricultural sector. This, after all and based on the above numbers, is a sector in which undeclared work is far more prevalent than in the overall EU28 economy.

2.2 Types of undeclared work in the agricultural sector

On a global level, the ILO (2013) estimates that in rural areas, informal employment is 82.1% of total rural employment and 98.6% of agricultural employment. In contrast, in urban areas, only 24.5% of employees are in informal employment (ILO, 2013). Here, the situation in the EU is evaluated.

To understand the prevalence, distribution and characteristics of undeclared work in the agricultural sector in the EU, firstly, dependent self-employment will be analysed,

secondly, unwritten contracts and thirdly, under-declared employment. This will then be followed by an analysis of who engages in such work and an analysis of their working conditions.

2.2.1 Dependent self-employment

As previous Platform reports highlight (Heyes and Hastings, 2017; Heyes and Newsome, 2017), across the EU economy, some workers are being falsely classified as self-employed to circumvent collective agreements, labour laws (e.g., minimum wages, working time legislation, protection in case of redundancy), employment tax, and other employer liabilities implied in the standard contract of employment. Commonly referred to as 'dependent self-employment', workers are classified as formally self-employed but possess the characteristics of dependent employees because they do not have either more than one client, the authority to hire staff, and/or the authority to make important strategic decisions about how to run the business (Eurofound, 2013, 2016a, b).

In the 2015 European Working Conditions Survey (EWCS), the dependent self-employed are identified using five questions:

- Are you working as an employee or are you self-employed?
- Regarding your business, do you: a) Have employees – (working for you); b) Have the authority to hire or dismiss employees; c) Have more than one client or customer.
- To what extent do you agree or disagree with the following statement - I make the most important decisions on how the business is run.

The dependent self-employed are those reporting themselves as self-employed, who do not have employees, and comply with two or more of the following three criteria: (1) they have only one client, (2) they have no authority to hire staff, and/or (3) they have no authority to make important strategic decisions.

In 2010, 5.3% of total employment in the EU27 (1 in 19 jobs) was dependent self-employment, and in 2015, 4.3% of total employment in the EU28 (1 in 23 jobs).

However, the prevalence of dependent self-employment varies across economic sectors. As Table 2 reveals, **27% of all employment in the agriculture, forestry and fishing sector is dependent self-employment.** The next closest sector is the household services sector where 13% of all employment is dependent self-employment followed by the arts entertainment and recreation sector (11%).

Examining those who report themselves as self-employed in various sectors, 84% of those reporting themselves as self-employed in the household services sector are in fact dependent self-employed, and **51% of all self-employed in the agriculture, forestry and fishing sector are dependent self-employed.**

Indeed, **22% of all dependent self-employment in the EU28 is in the agriculture, forestry and fishing sector,** despite only 4% of total employment in the EU28 being in this sector.

Table 2. Participation in dependent self-employment in the EU28: by sector, 2015

Sector	Dependent self-employed			
	Percent of:		Of which:	
	All employment	Self-employed		
Agriculture, forestry and fishing	27	51	22	
Industry (except construction)	2	25	7	
Construction	7	28	9	
Wholesale and retail trade; repair of motors	3	18	10	
Transportation and storage	4	44	5	
Accommodation and food service activities	2	10	1	
Information and communication	5	32	3	
Financial and insurance/ real estate activities	3	22	3	
Professional, scientific, technical + administrative	5	26	11	
Defence, education, human health, social work	2	33	10	
Arts, entertainment and recreation + others	11	42	14	
Activities of households as employers	13	84	5	

Source: Williams and Lapeyre (2017)

In which occupations, therefore, is dependent self-employment prevalent? Table 3 reveals that **30% of all skilled agricultural, forestry and fisheries workers are engaged in dependent self-employment**. This is far greater than any other occupation. The nearest is craft and related trade worker and elementary occupations where 5% of total employment in these occupations is dependent self-employment. Given its small size as an occupational group, the net outcome is that **20% of all dependent self-employed in the EU are skilled agricultural, forestry and fisheries workers**.

Table 3. Participation in dependent self-employment in the EU28: by occupation, 2015

Occupation	Dependent self-employed			
	Percent of:		Of which:	
	All employment	Self-employed		
Managers	4	13	5	
Professionals	4	33	19	
Technicians and associate professionals	3	27	11	
Clerical support workers	1	33	1	
Service and sales workers/ Armed forces	3	22	12	
Skilled agricultural, forestry and fishery workers	30	51	20	
Craft and related trades workers	5	27	13	
Plant and machine operators, and assemblers	3	45	5	
Elementary occupations	5	65	14	

Source: Williams and Lapeyre (2017)

Nevertheless, dependent self-employment is more prevalent in the agricultural sector in some Member States than others. As Table 4 shows, dependent self-employment is highest in Portugal (where 62% of all agricultural sector workers are dependent self-employed), Romania (52% of all agricultural sector workers are dependent self-employed), Croatia (46%), Slovenia (41%) and lowest in Netherlands (4%), Sweden (4%), Luxembourg (4%) and the Czech Republic (2%).

The outcome is that **two-thirds (66.8%) of all dependent self-employment in the agricultural sector in the EU28 is in four Member States**: 22.2% of all dependent self-employment in agriculture is in Romania, 19.1% in Poland, 13.2% in Portugal and 12.3% in Italy.

Table 4. Cross-national variations in the prevalence of dependent self-employment in the agricultural sector

Country	Dependent self-employed			
	Percent of:		Of which:	
	All employment	Self-employed		
Austria	34	54	2.8	
Belgium	12	36	0.1	
Bulgaria	18	45	1.3	
Croatia	46	77	2.2	
Czech Republic	2	9	0.2	
Denmark	8	14	0.2	
Estonia	12	55	0.1	
Finland	23	39	2.0	
France	7	14	1.8	
Greece	19	25	3.4	
Hungary	26	53	2.3	
Ireland	28	37	1.6	
Italy	31	61	12.3	
Latvia	14	34	0.4	
Lithuania	22	44	0.9	
Luxembourg	4	20	0.0	
Malta	35	48	0.0	
Netherlands	4	10	0.4	
Poland	29	69	19.1	
Portugal	62	73	13.2	
Romania	52	71	22.2	
Slovakia	6	69	0.1	
Slovenia	41	66	1.2	
Spain	19	43	6.9	
Sweden	4	7	0.2	
United Kingdom	24	38	5.1	

Note: In Cyprus and Germany no dependent self-employment in the agricultural sector was identified

Sample size: 1,435 respondents in the EU28 worked in agriculture, forestry and fishing sector, of which 417 were dependent self-employment

Source: Authors' own work based on EWCS (2015)

Who, therefore, are these dependent self-employed working in the agricultural sector? As Table 5 shows, women working in the agriculture, forestry and fishing sector are more likely to be dependent self-employed than men, as are older age groups, those with lower levels of education, in households finding it difficult to make ends meet, those born in the country, working in the private sector and those in in part-time employment.

Table 5. Who are the dependent self-employed in the agricultural sector? EU28, 2015

Socio-demographic and economic characteristics	Dependent self-employed			
	Percent of:		Of which:	
	All employment	Self-employed		
<i>Gender</i>				
Male	23	46		55
Female	33	60		45
<i>Age</i>				
Under 35 years	11	47		7
35 - 49 years	26	48		31
50 years and over	33	54		62
<i>Education</i>				
Up to Lower secondary education	30	56		46
Upper secondary	27	54		44
Post-secondary/ non-tertiary	41	65		7
Short-cycle tertiary	6	9		1
Bachelor or equivalent	3	10		1
Master/ Doctorate or equivalent	8	16		1
<i>Household size</i>				
One	21	57		9
Two	32	56		32
Three	25	47		20
Four and more	26	49		39
<i>Household ability to make ends meet</i>				
Very easily/ easy	21	44		17
Fairly easily	28	52		32
With some difficulty	27	52		28
With difficulty/ great difficulty	32	58		23
<i>Respondent and their parents born in the country</i>				
No	5	41		1
Yes	28	52		99
<i>Sector</i>				
The private sector	25	49		83
The public sector	7	27		1
A joint private-public organisation or company	8	17		1
The not-for-profit sector or an NGO/ Other	47	68		15
<i>Type of job</i>				
Part-time	33	62		28
Full-time	23	43		72

Source: Authors' own work based on EWCS (2015)

It is not only dependent self-employment that is high in the agricultural sector. Unwritten contracts of employment are very high as well.

2.2.2 Unregistered employment

Unregistered employment, here defined as employees working without a written contract or terms of employment, is more prevalent in the agriculture, forestry and fishing sector than in most other sectors. As Table 6 displays, **32% of employees in agriculture do not have written contracts of employment**. The only sector to exceed this is the household services sector where 52% of employees have no written contract of employment. The outcome is that **12% of all unregistered employment in the EU28 is in the agriculture, forestry and fishing sector**.

Table 6. Participation in unregistered employment: by sector, 2015

Sector	Unregistered employment	
	Share of all employees (%)	Of which:
Agriculture, forestry and fishing	32	12
Industry (except construction)	2	5
Construction	9	7
Wholesale and retail trade; repair of motors	4	10
Transportation and storage	2	2
Accommodation and food service activities	14	12
Information and communication	3	1
Financial and insurance/ real estate activities	1	1
Professional, scientific, technical + administrative	4	7
Defence, education, human health, social work	3	15
Arts, entertainment and recreation + others	16	13
Activities of households as employers	52	15

Source: Authors' own work based on EWCS (2015)

Examining the occupations in which unregistered employment is found in the EU28, Table 7 reveals that **28% of all skilled agricultural, forestry and fisheries workers are engaged in unregistered employment**. This is greater than for all other occupations. Given that this is a relatively small occupational group, the net outcome is that 7% of all unregistered employment is in this occupation.

Table 7. Participation in unregistered employment: by occupation (2015)

Occupation	Unregistered employment	
	Share of all employees (%)	Of which:
Managers	3	2
Professionals	1	5
Technicians and associate professionals	2	6
Clerical support workers	2	4
Service and sales workers/ Armed forces	8	31
Skilled agricultural, forestry and fishery workers	28	7
Craft and related trades workers	5	8
Plant and machine operators, and assemblers	3	4
Elementary occupations	16	33

Source: Authors' own work based on EWCS (2015)

Nevertheless, unregistered employment in the agricultural sector is more prevalent in some Member States than in others. As Table 8 shows, unregistered employment in the agricultural sector is highest in Greece (where 94% of all agricultural employees are unregistered), Cyprus (85% are unregistered), Poland (56% unregistered) and Slovenia

(55% unregistered), and lowest the Czech Republic (7%), in Estonia (6%), France (6%) and Slovakia (3%).

The outcome is that **half (50.8%) of all unregistered employment in the agricultural sector in the EU28 is in just two Member States: 38.1% in Poland and 12.7% in Italy.**

Table 8. Cross-national variations in the prevalence of unregistered employment in the agricultural sector

Country	Unregistered employment	
	Share of all employees (%)	Of which:
Austria	49	2.5
Belgium	20	0.2
Bulgaria	39	2.9
Croatia	23	0.8
Cyprus	85	0.1
Czech Republic	7	1.3
Denmark	41	0.5
Estonia	6	0.1
Finland	30	1.8
France	6	1.4
Germany	17	4.5
Greece	94	6.8
Hungary	18	1.4
Ireland	36	0.8
Italy	37	12.7
Latvia	40	1.2
Lithuania	11	0.4
Luxembourg	25	0.1
Malta	21	0.0
Netherlands	33	3.1
Poland	56	38.1
Portugal	42	2.4
Romania	35	6.9
Slovakia	3	0.1
Slovenia	55	1.1
Spain	11	3.9
United Kingdom	34	4.9

Note: In Sweden no unregistered employment in the agricultural sector was identified

Source: Authors' own work based on EWCS (2015)

Who, therefore, engages in unregistered employment in the agriculture, forestry and fishing sector in the EU28? Table 9 reveals that two-thirds are men, and that they are more likely to be from older age groups, with lower levels of education, living in households who find it difficult to make ends meet, be born in the country, working in the private sector and in part-time employment, and to be working in very small businesses.

Table 9. Who engages in unregistered employment in the agricultural sector? (2015)

Socio-demographic and economic characteristics	Unregistered employment	
	Share of all employees	Of which:
<i>Gender</i>		
Male	31	65
Female	33	35
<i>Age</i>		
Under 35 years	30	26
35 - 49 years	20	21
50 years and over	42	53
<i>Education</i>		
Up to Lower secondary education	39	51
Upper secondary	29	40
Post-secondary/ non-tertiary	23	3
Short-cycle tertiary	37	4
Bachelor or equivalent	13	2
Master/ Doctorate or equivalent	0	0
<i>Household size</i>		
One	44	22
Two	25	20
Three	19	12
Four and more	37	46
<i>Household ability to make ends meet</i>		
Very easily/ easy	16	12
Fairly easily	30	28
With some difficulty	33	30
With difficulty/ great difficulty	52	30
<i>Respondent and their parents born in the country</i>		
No	15	6
Yes	34	94
<i>Sector</i>		
The private sector	33	91
The public sector	3	1
A joint private-public organisation or company	19	1
The not-for-profit sector or an NGO/ Other	45	7
<i>Type of job</i>		
Part-time	41	45
Full-time	14	55
<i>Company size (no. of employees)</i>		
1 employee	76	19
2-9 employees	47	69
10-249 employees	10	12
250+ employees	1	0

Source: Authors' own work based on EWCS (2015)

2.2.3 Under-declared employment

Under-declared employment is the illegal practice whereby formal employers pay their formal employees two salaries: an official declared salary and an additional undeclared

('envelope') wage which is hidden from the authorities, to reduce their tax and social security costs (Williams and Horodnic, 2017).

The only available evidence on the level of under-declared employment in the agricultural, forestry and fishing sector is a 2007 special Eurobarometer survey (i.e., the more recent 2013 special Eurobarometer survey does not examine sectors).

As Table 10 reveals, envelope wages in 2007 were more common in the agricultural sector than in most other sectors. 9% of employees in the agricultural sector in the EU received envelope wages, compared with 5% of all employees in employment in the EU overall. Only the construction sector had a higher proportion of employees receiving envelope wages (10%).

Table 10. Prevalence of envelope wages: by sector, 2007

	Share of employees receiving envelope wages	Average gross salary received as envelope wage	Envelope wages paid for:			
			Regular work	Overtime / extra work	Both regular & overtime work	Refusal/ don't know
	(%)	(%)	(%)	(%)	(%)	(%)
<i>EU-27</i>	5	1-20	30	28	34	8
Construction	10	1-20	39	28	27	6
Agriculture	9	81-100	60	12	28	0
Hotel and restaurant	6	1-20	19	68	10	3
Repair services	6	1-20	18	29	51	2
Retail	6	1-20	29	36	32	3
Transport	6	81-100	18	26	50	6
Industry	5	81-100	29	22	38	11
Personal services	4	1-20	33	29	28	10
Household services	2	1-20	23	15	51	11
Other	2	81-100	21	20	44	15

Source: Authors' own work based on the Special Eurobarometer 284 (2007)

Despite over 27,000 face-to-face interviews being conducted across the EU for this 2007 Eurobarometer survey on undeclared work, the problem is that only 20 cases were identified of employees receiving envelope wages out of the 220 employees reporting to be working in the agriculture, forestry and fishing sector (9%). Given that only 20 cases of envelope wages were identified across all Member States, only EU-level findings can be analysed and due to the small sample, caution is required.

Taking account of the fact that only 20 of the 220 employees working in agriculture reported receiving envelope wages, Table 11 reveals that employees in agriculture are more likely to receive envelope wages if they are men, middle-aged, with higher educational levels (which is in stark contrast to unregistered employment and dependent self-employment), are married or remarried, and living in larger households.

Table 11. Who is paid envelope wages in the agricultural sector? (2007)

Socio-demographic characteristics	Share of employees receiving envelope wages		Distribution of employees by socio-demographic characteristics:	
	(%)	(%)	Employees receiving envelope wages (%)	All employees (%)
<i>Gender</i>				
Man	9	82	69	
Woman	4	18	31	
<i>Age</i>				
15-24	1	3	14	
25-39	9	39	31	
40-54	10	51	38	
55+	3	7	17	
<i>Age when stopped full-time education</i>				
15-	2	6	28	
16-19	8	59	51	
20+	13	35	21	
<i>Marital status</i>				
Married/Remarried	10	85	64	
Unmarried (cohabitating)	1	2	13	
Unmarried (single)	5	12	17	
Divorced/Separated	0	1	4	
Widowed (other)	3	1	2	
<i>People 15+ in household</i>				
One	5	10	13	
Two	3	15	42	
Three	11	38	26	
Four and more	14	37	19	
<i>Parents born in (country)</i>				
No	8	10	9	
Yes	7	90	91	
<i>Type of community</i>				
Rural area or village	7	58	64	
Small or middle sized town	9	33	28	
Large town	8	9	8	

Source: Authors' own work based on the Special Eurobarometer 284 (2007)

2.3 Who engages in undeclared work in the agricultural sector?

To analyse who engages in unregistered employment and dependent self-employment in the agriculture, forestry and fishing sector, after controlling for other variables, Table 12 provides a regression analysis. This reveals that in the agricultural sector, those more likely to be dependent self-employed are men, older age groups, with poorer educational levels, born in the country they live and work in, and working in the private sector.

Those employed in the agricultural sector who are significantly more likely to be in unregistered employment are under 35 years old, born in the country they live and work in, with difficulty making ends meet, and employed in the private sector.⁵

Table 12. Logistic regressions of the propensity for a worker to be dependent self-employed or in unregistered employment in the agricultural sector: socio-demographic and business characteristics

	Dependent self-employed			Unregistered employment		
	□	se(□)	exp(□)	□	se(□)	exp(□)
<i>Gender</i> (Comparison group: Male)						
Female	0.431**	0.201	1.539	0.345	0.406	1.412
<i>Age</i> (Comparison group: under 35 years)						
35 – 49 years	0.780**	0.385	2.182	-1.198**	0.509	0.302
50 years and over	1.221***	0.387	3.391	0.476	0.528	1.610
<i>Education</i> (Comparison group: Up to lower secondary education)						
Upper secondary education	-0.0762	0.210	0.927	0.381	0.382	1.464
Post-secondary non-tertiary education	0.829**	0.418	2.292	0.787	0.955	2.197
Short-cycle tertiary education	-2.013***	0.537	0.134	1.812**	0.780	6.121
Bachelor or equivalent ¹	-1.972***	0.671	0.139	-0.417	1.038	0.659
Master/ Doctorate or equivalent ¹	-1.294	1.141	0.274			
<i>Respondent and their parents born in the country</i> (Comparison group: No)						
Yes	1.983***	0.357	7.267	1.981***	0.679	7.248
<i>Household size</i> (Comparison group: 1 person)						
2 persons	0.602**	0.302	1.826	-0.553	0.507	0.575
3 persons	0.454	0.339	1.574	-0.644	0.597	0.525
4 and more persons	0.482	0.317	1.619	0.675	0.490	1.963
<i>Household ability to make ends meet</i> (Comparison group: Very easily/ easy)						
Fairly easily	0.504*	0.286	1.656	0.754	0.528	2.126
With some difficulty	0.240	0.292	1.271	0.967*	0.562	2.631
With difficulty/ great difficulty	0.357	0.313	1.429	2.653***	0.552	14.19
<i>Sector</i> (Comparison group: The private sector)						
The public sector	-1.486*	0.792	0.226	-4.592***	1.359	0.010
A joint private-public organisation/ company	-0.111	1.222	0.895	1.758	1.956	5.799
The not-for-profit sector or an NGO/ Other	0.775**	0.377	2.170	0.517	0.554	1.677
<i>Number of employees in the company</i> (Comparison group: 1 -interviewee works alone)						
2-9 employees				-0.983*	0.536	0.374
10+ employees				-3.411***	0.648	0.033
Constant	-4.708***	0.575	0.009	-2.250*	1.151	0.105
Observations	1,375			578		
F	6.05			3.86		
p >	0.000			0.000		

Notes: Significant at *** p<0.01, ** p<0.05, * p<0.1.

⁵ Similar findings are identified in a 2013 Eurobarometer survey regarding who engages in undeclared work in the rural areas of the EU (Williams and Horodnic 2017b).

¹For unregistered employment, due to the lack of persons working unregistered in the category *Master/Doctorate or equivalent*, the category was merged with *Bachelor or equivalent* and the coefficient in the table represents the results for the two categories merged.

Source: Authors' own work based on EWCS (2015)

2.4 Working conditions of undeclared workers in the agricultural sector

It is widely assumed that the working conditions of undeclared workers are worse than those of declared workers in the agricultural sector. For example, as Ivanova (2014: 64) states when discussing employment relations in Bulgarian agriculture, "employment without a written contract is the form of employment which is the most unreliable in respect to quality of employment".

Until now, the evidence supporting this are in-depth qualitative studies on the working conditions in the agricultural sector of migrant workers, who are found to frequently experience various forms of exploitation, even severe abuse and trafficking (Amnesty International 2012, 2014; Barbieri *et al.* 2015; Castelli 2014; FRA 2015; Osservatorio Placido Rizzotto 2014; Pugliese 2012). Moreover, most of the exploited migrant agricultural workers are found to be not undocumented foreign workers but migrants with a residence permit, refugees, asylum-seekers, and poor EU migrants (Palumbo & Sciorba 2015b; Sciorba 2015b).

Box 2 reveals the case of Romanian female workers in the agricultural sector in Southern Italy suffering from abuse and exploitation, and how their EU citizenship does not protect them. In Southern Italy again, Box 3 provides the results of a study of Romanian migrant agricultural workers and reveals that at least they receive some protection due to their EU citizenship, and that Tunisian migrant workers suffer even worse abuse and exploitation.

Box 2. Romanian female workers in the agricultural sector in Ragusa, Sicily, Italy

Until the end of the 1970s, migrant farm workers in Ragusa were mostly Tunisian men. However, since 2007, when Romania joined the EU, the number of Romanian migrants has increased, gradually reaching the same level as the Tunisians. Firstly, this is because the employment of EU citizens allows employers to avoid the offences of exploitation and facilitation of illegal migration. Secondly, it is because the Romanian workers are 'cheaper' than Tunisians who have been in this area for a long time and have developed solid relationships with the local people and are mostly unionised.

Palumbo and Sciorba (2015) and Palumbo (2016) report fieldwork conducted in 2013 and 2014 with Romanian female farm workers in Ragusa in Southern Italy. Focusing upon the experiences of women who are mothers with dependent children, they show that their vulnerability forces these women into situations whereby they effectively accept and/or submit to abuse. They identify their vulnerability to labour and sexual exploitation. As such, their argument is that their European Union (EU) citizenship status does not automatically protect these migrants from such abuse.

Box 3. Comparing the working conditions of Romanian and Tunisian migrants in the greenhouse agricultural sector in Sicily

Urzi and Williams (2017) report the results of research conducted in four localities - Vittoria, Santa Croce Camerina and Scoglitti e Macconi - in Sicily where greenhouse agricultural production is concentrated. 26 semi-structured interviews were

conducted with migrant farm workers, of which 12 were Romanians (six men and six women) and 14 Tunisians (twelve men and two women).

This in-depth qualitative research reveals how that both the Tunisian and Romanian seasonal workers suffer abuse and exploitation, but that the non-European Union (Tunisian) workers suffer worse exploitation than the European Union (Romanian) migrants employed as seasonal workers in the agricultural sector in Sicily.

The Romanian workers with EU citizenship have greater negotiation powers over their labour conditions, partial access to social protection through the *ingaggio* position and, altogether, more institutional protection in cases of withheld payments or abuses. Tunisian workers, in contrast, suffer severe forms of exploitation to keep a full work contract and therefore stable immigration status. Many are blackmailed by their employers and forced to carry out extra work to keep their work contract. Moreover, they tended to avoid asking for legal help so as not to risk losing both their formal employment contract and regular immigration status. Putting side by side their experiences, therefore, it is shown that holding an EU passport and being allowed to reside in Italy without a work contract *de facto* creates more favourable work conditions for Romanian farm workers.

Immigration laws therefore do not simply decide who is welcome and who is not, but also structure and stratify the vulnerability of different groups of migrants by assigning them to different levels of precariousness, ranging from illegality through permanent temporariness, transitional temporariness, and permanent residence, to citizenship.

It is not only in Southern Europe, however, that such exploitation is witnessed by seasonal agricultural workers. Box 4 highlights a case of trafficking and forced labour in Germany.

Box 4: Trafficking and forced labour in German strawberry fields

In 2007, a German strawberry field owner (a police officer on parental leave) in Augsburg, Bavaria, recruited 100 Romanian workers through a Romanian-speaking German citizen. These seasonal workers should have had the same legal rights and wages as German workers in the strawberry fields, including the application of collective wage agreements and appropriate measures for the protection of workers. However, the employer ignored the legislation, and they were not given employment contracts. He had previously been prosecuted for doing the same with Polish workers.

The Romanian workers had been offered €1.80 for each 5kg box of strawberries picked and were told they could earn up to €5.50 an hour if they worked hard. Upon starting, it became clear this was not possible, and they attempted to negotiate with their employer. Due to the approaching strawberry harvest, the employer appeared to accept their demands. They worked for at least 110 hours over 12 days in June 2007 and managed 116 boxes. They should have received €5.16 per hour and at least €208.80 for the 12 days of work. However, the employer deducted €50 for subsistence (food). Some worked up to 160 hours over 16 days and received only €150; according to the wage rates in the sectoral collective agreement, they should have received €816.

The local *Augsburger Allgemeine* paper published an article on these workers, and customs officers raided the field the next day. They arrested the employer and a Romanian-speaking German citizen. The farmer had failed to provide the workers with adequate accommodation or essential necessities such as mattresses, bedding or fridges. They lived in containers near the strawberry field, with inadequate access to food and drink, and no water connection. In addition, the electricity installation was

faulty, and there was no fire prevention equipment. The employer was sentenced to three years and three months in prison for human trafficking for the purpose of labour exploitation. The Romanian workers' lawyer took further legal action against the employer through an employment tribunal to recover the outstanding pay of about €20,000. The judge determined that the farmer had benefited from his harsh piecework rate and by not making the promised advance payments. The employer had also failed to inform the workers about their rights. The judge insisted that the defendants were involved in "exploitive commercial employment". The Romanian-speaking German citizen was sentenced to two years in prison for assisting with exploiting people under 21 years old and aiding and abetting the employment of foreigners without approval. In addition, he had to pay a fine of €10,000 to the state and €1,000 to each of the three Romanian witnesses who, after the court case, were permitted to stay and work in Germany.

Source: Clark (2013: 11-13)

It is not always migrant workers, however, that engage in undeclared work under exploitative work conditions. In the **Netherlands**, undeclared work in the agricultural sector is also conducted by students. However, a lot of these students are not aware that by working undeclared they are not entitled to an 8% holiday payment and are not insured. According to Trouw (2010), the government did little to prevent undeclared work by these young people. There have also been incidents in the Netherlands, however, with illegal Eastern-Europe immigrants working for Dutch farms in very poor conditions. In 2015, Polish workers reported that an employer was withholding social premiums from their salaries but did not pay these to the insurance authorities (Omroep Brabant, 2015).

Despite multifarious qualitative reports of exploitative working conditions of undeclared workers in the agricultural sector, there has until now been no analysis of any extensive data set to show whether this is replicated across the EU.

Here, therefore, firstly, the working conditions of undeclared workers in the agricultural sector will be compared with declared workers in this sector, and secondly, the working conditions of agricultural workers compared with the wider EU workforce. To do this, data from the 2015 EWCS will be used. Caution is required with interpretation of these results, as such statistical surveys, as stated in section 2.1.2 do not always capture all workers in the agricultural sector, such as irregular, temporary and migrant workers.

To evaluate the working conditions of undeclared workers in agriculture, six job quality indices and 14 additional sub-indices developed by Eurofound (2013, 2016) are used. These are:

- the physical working environment index which assesses physical risks in the workplace;
- the work intensity index (with three sub-indices: quantitative demands in terms of work intensity; autonomy over the pace of work, and emotional demands);
- the working time quality index (with four sub-indices: duration of working hours; atypical working times; working time arrangements, and flexibility in working times);
- the social environment index (with two sub-indices: adverse social behaviour, and social support);
- the skills and discretion index (with four sub-indices: cognitive dimensions; decision latitude; organisational participation, and training opportunities); and
- the prospects index (with three sub-indices: prospects for career advancement, and job security on a personal and organisational level).

These six job quality indices are measured on a scale from 0 to 100. The **higher the index score, the better the job quality**. The exception is the work intensity index,

where the lower the score, the better is the job quality. All indicators and sub-dimensions were given the same weight to calculate the mean for each job quality index.

Table 13 compares the **physical working environment** of the dependent self-employed and unregistered workers with all in employment in the agricultural sector. This reveals that the mean index score is no worse for the dependent self-employed in agriculture and unregistered agricultural workers compared with all workers in agriculture. **Undeclared workers are not more exposed to physical hazards in the workplace.** There are, however, exceptions. For example, a greater proportion of the dependent self-employed work in tiring or painful positions. And a greater proportion of unregistered workers handle or are in direct contact with materials which could be infectious, such as waste, bodily fluids, laboratory materials, etc. Overall, however, little evidence exists that unregistered workers and the dependent self-employed have a worse physical working environment than agricultural workers in general.

It might be asserted that this is due to the sample. For example, it could be argued that these results might be different if more migrant workers had been captured in the sampled population. However, based on the sampled population here, there is no evidence that unregistered workers and the dependent self-employed work in a worse physical environment.

Table 13. Working conditions in the agricultural sector by employment status: physical work environment index (EU28, 2015)

	AGRICULTURE SECTOR		
	Dependent self-employed	Unregistered employment	All employment
<i>Proportion of workers (%): A quarter of the time or more</i>			
Vibrations from hand tools, machinery	31	32	37
Noise so loud that you would have to raise your voice to talk to people	25	38	36
High temperatures which make you perspire even when not working	52	52	51
Low temperatures whether indoors or outdoors	51	55	52
Breathing in smoke, fumes (such as welding or exhaust fumes), powder or dust (such as wood dust or mineral dust)	19	15	22
Breathing in vapours, such as solvents and thinners	7	9	12
Handling or being in skin contact with chemical products or substances	24	22	26
Tobacco smoke from other people	5	17	9
Handling or being in direct contact with materials which could be infectious, such as waste, bodily fluids, laboratory materials, etc.	18	26	19
Tiring or painful positions	75	62	67
Lifting or moving people	5	11	5
Carrying or moving heavy loads	62	49	60
Repetitive hand or arm movements	73	66	69
Mean index score (0-100)	77	77	76

Source: Authors' own work based on EWCS (2015)

Table 14 examines whether the dependent self-employed and unregistered workers in the agricultural sector are more likely to suffer from **greater work intensity** compared with all others working in this sector. This is the only working conditions index where the lower the score, the better is the job quality. As can be seen, the dependent self-employed and those without a written contract of employment are **less likely to suffer from work intensity problems** than all workers in agriculture.

This is the case across all three sub-indices of work intensity. The dependent self-employed and unregistered employed are less likely to suffer from greater quantitative demands (i.e. working at high speed, working with tight deadlines etc.), their pace of work is less dependent on their boss, colleagues or other demands from

passengers, customers and so forth, and they face less emotional demands (i.e. hiding feelings at work, handling angry clients etc.). Therefore, work intensity problems are less commonly witnessed by the dependent self-employed and those in unregistered employment in the agricultural sector compared with all in employment in this sector.

Table 14. Working conditions in the agricultural sector by employment status: work intensity index (EU28, 2015)

		AGRICULTURE SECTOR			
		Dependent self-employed	Unregistered employment	All employment	
		<i>Proportion of workers (%)</i>			
Quantitative demands	Working at very high speed (three-quarters of the time or more)	26	28	32	
	Working to tight deadlines (three-quarters of the time or more)	23	25	28	
	Enough time to get the job done (never or rarely)	8	14	8	
	Frequent disruptive interruptions (never)	27	30	24	
	<i>Index dimension – mean score (0-100)</i>	31	28	33	
Pace determinants and interdependency	Interdependency: three or more pace determinants	9	21	20	
	Work pace dependent on:	The work done by colleagues	10	25	25
		Direct demands from people such as customers, passengers, pupils, patients, etc.	26	19	32
		Numerical production targets or performance targets	37	31	43
		Automatic speed of a machine or movement of a product	19	26	29
		The direct control of your boss	4	28	22
	<i>Index dimension – mean score (0-100)</i>	17	25	28	
Emotional demands	Hiding your feelings at work (most of the time or always)	6	12	12	
	Handling angry clients, customers, patients, pupils, etc. (three-quarters of the time or more)	8	5	6	
	Being in situations that are emotionally disturbing (a quarter of the time or more)	14	23	19	
	<i>Index dimension – mean score (0-100)</i>	12	14	15	
Mean index score (0-100)		20	22	26	

Source: Authors' own work based on EWCS (2015)

Table 15 reports whether the dependent self-employed and unregistered employed are more likely to suffer from **working time quality issues** compared with all others in employment in agriculture. As can be seen, the **working time quality is slightly better for unregistered workers and the dependent self-employed than for all in employment in agriculture.**

This is also the case for most of the four sub-indices of working time quality. The dependent self-employed employed in agriculture score better than the rest of the agricultural workforce in terms of duration of work (i.e. working fewer hours), flexibility (i.e. they arrange easier to take an hour off during working hours to take care of personal or family matters) and working time arrangements (i.e. being requested to come to work at short notice; witnessing changes and control of their working times). The only exception where working conditions are poorer for the dependent self-employed than for all employees in the agriculture sector are on atypical working times (i.e. more night work, weekend work or shift work).

The unregistered employed, meanwhile, have poorer working conditions so far as working time arrangements are concerned, especially in relation to their control over working time arrangements. Overall, nevertheless, both groups have better working conditions than all in employment on the issue of work intensity.

Table 15. Working conditions in the agricultural sector by employment status: Working time quality index (EU28, 2015)

		AGRICULTURE SECTOR			
		Dependent self-employed	Unregistered employment	All employment	
		<i>Proportion of workers (%)</i>			
Duration	Long working hours (48 hours or more a week)	46	22	39	
	No recovery period (less than 11 hours between two working days)	26	25	34	
	Long working days (10 hours or more a day)	40	29	45	
	<i>Index dimension – mean score (0-100)</i>	<i>64</i>	<i>75</i>	<i>61</i>	
Atypical working time	Night work	15	12	17	
	Saturday work	89	69	78	
	Sunday work	55	39	51	
	Shift work	1	5	7	
	▪ Daily split shift	22	23	16	
	▪ Permanent shift	17	7	40	
	▪ Alternating/rotating shifts	8	70	32	
	▪ Other type of shift work	54	1	12	
<i>Index dimension – mean score (0-100)</i>		<i>60</i>	<i>70</i>	<i>63</i>	
Working time arrangements	Control over working time arrangements	Set by the company	1	28	27
		Can choose between different schedules	1	2	4
		Can adapt working hours	5	26	11
		Entirely determined by self	92	43	58
	Change in working time arrangements	No regular change	61	46	68
		Change the same day	3	12	7
		Change the day before	0	19	11
		Change several days in advance	21	23	11
		Change several weeks in advance	15	1	4
	Requested to come to work at short notice (at least several times a month)		9	14	17
<i>Index dimension – mean score (0-100)</i>		<i>97</i>	<i>89</i>	<i>91</i>	
Flexibility	Very easy to arrange to take an hour off during working hours to take care of personal or family matters	52	45	40	
	Work in free time to meet work demands (at least several times a month)	41	26	35	
	<i>Index dimension – mean score (0-100)</i>	<i>73</i>	<i>76</i>	<i>72</i>	
Mean index score (0-100)		74	77	72	

Source: Authors' own work based on EWCS (2015)

Table 16 reports whether the dependent self-employed and those in unregistered employment are more likely to suffer from a **worse social environment** when working compared with all others in employment. As can be seen, **the social environment is overall the same for the dependent self-employed compared with all in employment, but worse for those in unregistered employment**. However, there are marked differences in the two sub-indices. Although the likelihood of the dependent self-employed and those in unregistered employment witnessing adverse social behaviour is very much on a par with all in employment, **unregistered workers and the dependent self-employed receive less help and support from colleagues** than all in agricultural employment. Only 46% of the dependent self-employed say they

receive help and support from colleagues most or all of the time, compared with 63% of all others in employment.

Table 16. Working conditions in the agricultural sector by employment status: Social environment index (EU28, 2015)

			AGRICULTURE SECTOR		
			Dependent self-employed	Unregistered employment	All employment
			<i>Proportion of workers (%)</i>		
Adverse social Behaviour	In the last month	Exposure to verbal abuse	1	9	4
		Exposure to unwanted sexual attention	0	0	0
		Exposure to threats	0	3	1
		Exposure to humiliating behaviours	1	2	2
	Over the last 12 months	Exposure to physical violence	0	1	0
		Exposure to sexual harassment	0	0	0
		Exposure to bullying /harassment	1	0	1
<i>Index dimension – mean score (0-100)</i>			<i>100</i>	<i>98</i>	<i>99</i>
Social Support	Help and support from colleagues (most of the time/always)		46	61	63
	<i>Index dimension – mean score (0-100)</i>			<i>54</i>	<i>61</i>
Mean index score (0-100)			88	84	88

Source: Authors` own work based on EWCS (2015)

Table 17, meanwhile, reveals that **those in unregistered employment are far less able to use their skills and discretion compared with all others in employment in this sector**, but the dependent self-employed more able to do so. The skills and discretion index for the dependent self-employed is overall slightly better compared with all in employment, but much worse for those working without a written contract.

However, there are again marked differences across the four sub-indices. Compared with all others in employment, the likelihood of the dependent self-employed witnessing problems using their skills and discretion are less on the cognitive dimension, but markedly higher on the training dimension (i.e., they receive very poor training). However, on the decision latitude dimension and organisation participation dimensions, the dependent self-employed score markedly higher than all others in employment. For example, they are more likely to have the ability to choose or change their order of tasks or rate or speed of work and are more likely to feel that they have been consulted on changes in the workplace, to be able to improve work processes and to influence decisions that are important to their work.

For those in unregistered employment, meanwhile, working conditions so far as their ability to use their skills and discretion are concerned are worse on all four sub-indices. The **unregistered employed are less able to use their cognitive skills** (e.g., solving unforeseen problems learning new things, carrying out complex tasks), **have less decision latitude** (e.g., the ability to choose or change the order, rate or methods of work), **have lower rates of organisational participation** (e.g., being consulted, influencing decisions regarding their work), **and poorer training** than others employed in agriculture.

Table 17. Working conditions in the agricultural sector by employment status: Skills and discretion index (EU28, 2015)

		AGRICULTURE SECTOR		
		Dependent self-employed	Unregistered employment	All employment
		<i>Proportion of workers (%)</i>		
Cognitive Dimension	Solving unforeseen problems	86	63	79
	Carrying out complex tasks	42	30	51
	Learning new things	47	33	54
	Working with computers, smartphones and laptops, etc. (at least a quarter of the time)	7	14	22
	Ability to apply your own ideas in work ('sometimes', 'most of the time' and 'always')	94	67	82
	<i>Index dimension – mean score (0-100)</i>	52	37	54
Decision latitude	Ability to choose or change order of tasks	84	67	73
	Ability to choose or change speed or rate of work	83	73	77
	Ability to choose or change methods of work	80	71	72
	Having a say in choice of work colleagues ('always' or 'most of the time')	60	45	51
	<i>Index dimension – mean score (0-100)</i>	80	67	71
Organisational participation	Consulted before objectives are set for own work ('always' or 'most of the time')	49	47	51
	Involved in improving the work organisation or work processes of own department or organisation ('always' or 'most of the time')	74	39	61
	Ability to influence decisions that are important for your work ('always' or 'most of the time')	87	42	65
	<i>Index dimension – mean score (0-100)</i>	78	50	66
Training	Training paid for or provided by employer over the past 12 months (or paid by oneself if self-employed) (%)	6	2	14
	On-the-job training over the past 12 months (%)	3	2	13
	<i>Index dimension – mean score (0-100)</i>	5	2	13
Mean index score (0-100)		53	39	51

Source: Authors' own work based on EWCS (2015)

Finally, Table 18 displays that the dependent self-employed and those in unregistered employment in this sector are not more likely to perceive themselves as suffering from **worse job and career prospects** than all others in employment in this sector. However, there are differences across the three sub-indices related to career prospects, job security and the prospect of downsizing. The dependent self-employed are less likely to perceive themselves as having good prospects for career advancement but view themselves as having better job security than others employed in this sector. Those in unregistered employment, meanwhile, are less likely to perceive themselves as having job security than others employed in this sector, and are marginally less likely to perceive themselves as having good prospects for career advancement and to view the business they work for as financially stable.

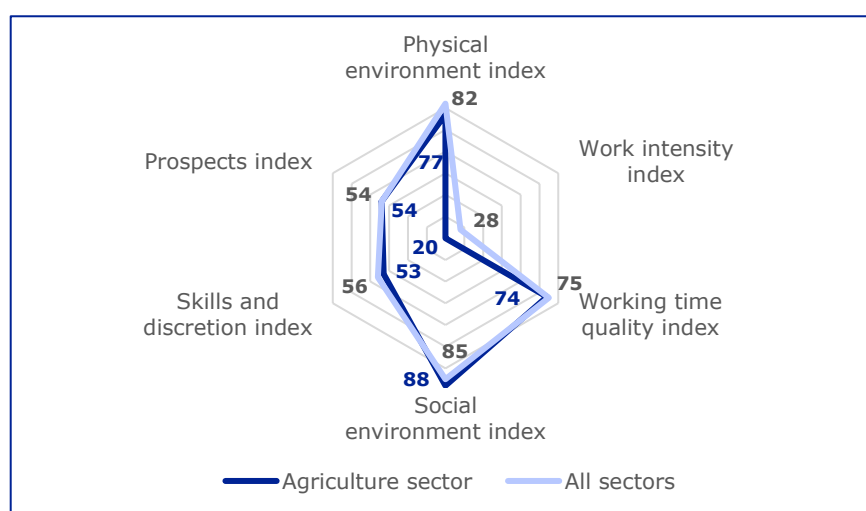
Table 18. Working conditions in the agricultural sector by employment status: Prospects index (EU28, 2015)

		AGRICULTURE SECTOR		
		Dependent self-employed	Unregistered employment	All employment
		Proportion of workers (%)		
Career prospects	My job offers good prospects for career advancement (strongly agree and tend to agree)	19	29	30
	<i>Index dimension - mean score (0-100)</i>	32	41	42
Job security	I might lose my job in the next six months (strongly agree and tend to agree)	6	23	16
	<i>Index dimension - mean score (0-100)</i>	85	69	76
Downsizing	During the last three years (or last year according to seniority in the company), has the number of employees at your workplace increased, stayed the same or decreased: decrease in employment	6	13	15
	<i>Index dimension - mean score (0-100)</i>	49	47	49
Mean index score (0-100)		54	52	54

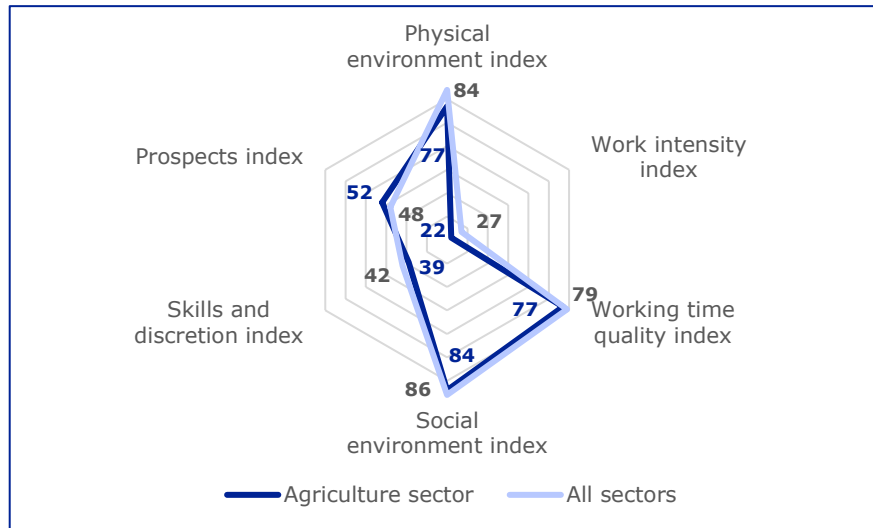
Source: Authors' own work based on EWCS (2015)

Figure 6 compares each type of work in agriculture with the same work in the rest of the economy. Figure 6a compares the working conditions of those in dependent self-employment in agriculture with the dependent self-employed in the rest of the economy. It is only on work intensity that there is a significant difference between the dependent self-employed in agriculture compared with all dependent self-employed. Remembering that this is the only index where a small value means work conditions are better, the dependent self-employed in agriculture have much fewer problems associated with work intensity than those in the rest of the economy.

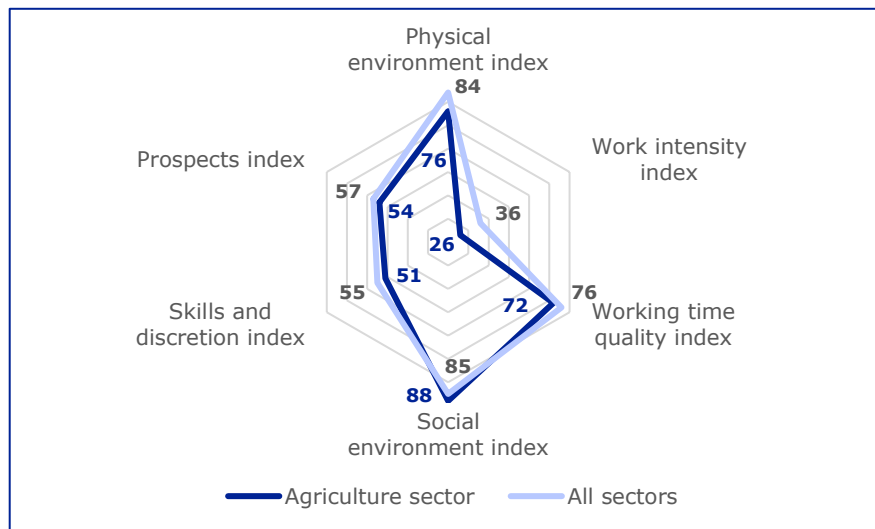
Figure 6. Working conditions by sector (EU28, 2015)



A. Dependent self-employed



B. Unregistered employment



C. All employment

Source: Authors' own work based on EWCS (2015)

Turning to those in unregistered employment in agriculture compared with unregistered workers in the rest of the economy, they have generally poorer working conditions, with two exceptions. Career prospects are perceived as better, and work intensity is overall perceived as lower among unregistered agricultural workers than by unregistered workers in the rest of the economy.

As Figure 6c reveals, however, **job quality in the agricultural sector is poorer compared with the rest of the economy**, with the exceptions of the social environment which is better and work intensity which is less intense than in the rest of the economy.

In sum, although the quality of employment is poorer for undeclared agricultural workers in some respects, what is important is that agricultural workers suffer worse working conditions than the EU labour force in its entirety. It is therefore necessary not only to improve the working conditions of undeclared workers in the agricultural sector, but also to make all work more decent in this sector to raise working conditions onto the same level as the wider economy.

Prevalence, characteristics and distribution of undeclared work in the agricultural sector

- 4% (1 in 25) of the EU28 workforce is in the agriculture, forestry and fishing sector.
- 15% of the agricultural workforce (and 32% of all agricultural employees) have no written contract of employment (compared with 5% for the overall EU28 workforce).
- 27% of the agricultural workforce are in dependent self-employment (compared with 4% of all employment in the EU28).
- 9% (1 in 11) of agricultural employees receive envelope wages (compared with 5% of all employees in the EU28).
- In-depth qualitative studies reveal the existence of very poor working conditions in agriculture.
- This is not reinforced in statistical surveys, perhaps because they omit temporary, seasonal and migrant workers in this sector.
- The surveys find that the working conditions of the dependent self-employed and unregistered employees in agriculture is not always poorer than agricultural workers in general.
- These workers have better working conditions in some respects (e.g., in relation to lower work intensity). In other respects they have similar working conditions to the rest of the agricultural workforce (e.g., in relation to the physical work environment). And in yet other respects they have worse working conditions (e.g., in relation to training).
- Job quality is overall significantly poorer in the agricultural sector compared with employment in the rest of the economy.

3. SYSTEMIC DRIVERS OF UNDECLARED WORK IN THE AGRICULTURAL SECTOR

What are the structural economic and social conditions associated with higher levels of undeclared work in the agricultural, forestry and fishing sector? If these are known, then action can be taken to tackle these structural conditions so that there is a reduction in the prevalence of the undeclared economy.

To examine the drivers of undeclared work in the agricultural sector, it is important to firstly identify drivers of undeclared work that are particular to the agricultural sector, and secondly, the more generic drivers of undeclared work in the wider economy. In this section, each is considered in turn.

The agricultural sector is one part of the food supply chain that delivers food and drink products to the public for personal consumption. The agricultural sector, that is, is a primary industry that sells the majority of its output to either the manufacturing industry (e.g., food processors) or directly to retail service businesses (e.g., supermarket chains).⁶ Before an agricultural product reaches the consumer, therefore, a number of market participants (i.e., producers, processors, retailers, etc.) add to its value and have an impact on the final price paid by the consumer.⁷ Over the past few decades, **the increased concentration of the retail food industry and the food processing industry** has led to a situation of significantly different levels of bargaining power and economic imbalances in individual trade relations between these food processors and retailers, and the agricultural producers.

The evidence is that agricultural producers have increasingly suffered intense pressure from food processors and retailers. While differences in bargaining power are common and legitimate in commercial relationships, what is not acceptable is the emergence of abusive unfair trading practices. In a report by the Spanish Competition Authority on the relations between manufacturers and retailers in the food sector, 56% of responding agricultural suppliers said that retroactive changes to contract terms occurred frequently or occasionally. A survey by the Italian Competition Authority shows that 57% of agricultural producers often or always accept retroactive unilateral changes, because they are afraid of commercial retaliation in case of refusal of the changes.⁸

As has been recognised in recent EU legislative proposal on unfair trading practices in business-to-business relationships in the food supply chain (12.4.2018 COM (2018) 173 final), the power imbalance between agricultural producers and these manufacturing and service businesses higher up the supply chain has led to the emergence of such practices that deviate from good commercial conduct. Farmers and small operators in the food supply chain often lack bargaining power and are subject to last minute order cancellations, retroactive changes to contracts and late payments for perishable food products. Indeed, producers in the agriculture sector witness intense pressures from food processors and large retailers to keep production costs low (and quality high). Due to this, and because the agricultural sector is often a labour-intensive sector dependent on manual labour, it is inevitable that many agricultural producers seek to reduce production costs by decreasing their labour costs (Mangano 2015, Perrotta, 2014; DaSud, Terra and Terrelibere, 2015).

A range of options are available to agricultural producers to reduce their production and labour costs. At one end of the spectrum, 'high road' strategies can be used, such as technological innovations to replace labour in terms of production and harvesting

⁶ The biggest retail chains are the French *Carrefour*, German *Metro* with the banners *Real* and *Metro Cash&Carry*, *Schwarz Group* (Germany) with the discounters *Lidl* and *Kaufland*, *Tesco* (UK), and *Rewe Group* (Germany) with its biggest banners *Rewe* and the discounter *Penny*.

⁷ For evidence on the concentration of food retailing in the EU, see [www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL_STU\(2016\)578981_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/.../IPOL_STU(2016)578981_EN.pdf)

⁸ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Tackling unfair trading practices in the business-to-business food supply chain /* COM/2014/0472 final */

technologies. At the other end of the spectrum, 'low road' strategies can be used to reduce production costs, involving a whole series illegitimate labour practices, including the use of undeclared labour.

The evidence is that low road strategies often predominate in the EU agricultural sector. This is displayed by the fact that 15% of the agricultural workforce (and 32% of all agricultural employees) have no written contract of employment (5% for the overall EU28 workforce), 27% of the agricultural workforce are in dependent self-employment (compared with 4% of all employment in the EU28), and 9% (1 in 11) of agricultural employees receive envelope wages (compared with 5% of all employees in the EU28). Indeed, just 1 in 5 (20%) of the agricultural workforce are employees on permanent contracts (compared with 67% of the EU workforce as a whole). The result is that the standard employment relationship (SER), which is the key vehicle for allocating rights and social protection, is largely absent in the agricultural sector, raising issues for working conditions, rights and benefits.

As a primary industry that is labour intensive and dependent on large conglomerates in the food processing manufacturing industry and grocery retail sector, agricultural producers therefore are subject to drivers of undeclared work that are particular to the agricultural sector.

Besides these drivers of undeclared work that particular to the agricultural sector, there are also more generic drivers of undeclared work that are also applicable to the prevalence of undeclared work in the agricultural sector. To understand the drivers of the undeclared economy in countries, it has become increasingly popular to use institutional theory (Baumol and Blinder, 2008; Helmke and Levitsky, 2004; North, 1990). This argues that all societies have laws and regulations (i.e., formal institutions) that define the legal rules of the game. They also have informal institutions that are the unwritten socially shared norms and beliefs about what is acceptable (Helmke and Levitsky, 2004). When these formal and informal rules of the game are in symmetry, little or no undeclared work exists since the socially shared norms, values and beliefs align with the formal rules. However, when an asymmetry arises between the formal and informal institutions, the outcome is the emergence of undeclared work that, although illegal in terms of the formal rules, is seen as socially legitimate, due to the lack of belief in what the formal institutions are seeking to achieve. The greater the formal institutional imperfections and therefore institutional asymmetry, the greater the prevalence of undeclared work is.

Which formal institutional failings and imperfections, therefore, cause institutional asymmetry and thus the prevalence of undeclared work? There are three dominant theories that each identify different structural conditions/formal institutional failings and imperfections strongly correlated with the prevalence of undeclared work (Williams, 2013; Williams and Horodnic, 2015a,b, 2016, 2017). Firstly, modernisation theory argues that the prevalence of undeclared work is associated with a **lack of economic development** and **modernisation of government**. Secondly, political economy theory argues that the prevalence of undeclared work is strongly associated with a **lack of state intervention in the economy and society to protect workers**, and with societies where there are higher levels of inequality and greater levels of severe deprivation. And third and finally, a state over-interference theory argues that the prevalence of undeclared work is associated with **too much state interference** in both work and welfare provision.

In this section, various macro-level variables reflecting each of these theories are evaluated. These are detailed in Appendix 2 to this report. To evaluate whether they are associated with the greater prevalence of undeclared work in the agriculture, forestry and fishing sector, this section evaluates their relationship using Spearman's rank correlation coefficient. To understand the degree of association, the values of Spearman's rank correlation coefficient indicate the following:

- .00 - .19 "very weak" relationship

- .20 - .39 “weak” relationship
- .40 - .59 “moderate” relationship
- .60 - .79 “strong” relationship
- .80 – 1.0 “very strong” relationship

Table 19 reports whether there are significant correlations between variables that reflect each of these theories and the prevalence of undeclared work in the agriculture, forestry and fishing sector.

Table 19. Relationship between prevalence of dependent self-employment in agriculture and structural conditions, EU: Spearman’s rank correlation coefficient

	Dependent self-employed	
	% of all employment	% of self-employed
Trust in public authorities (2015)	-0.307	-0.468**
Government Effectiveness (2015)	-.408**	-.567***
Wastefulness of government spending (2015)	-.535***	-.622***
European Quality of Government Index (2013)	-0.415**	-.557***
Regulatory Quality (2015)	-.383**	-.530***
Rule of Law (2015)	-.388**	-.544***
Transparency International Corruption Perceptions Index (2015)	-0.339*	-.478**
Favouritism in decisions by government officials (2015)	-.375**	-.560***
GDP per capita in purchasing power standards (2015)	-0.338*	-.527***
Public expenditure on labour market interventions (2015)	-0.166	-0.336*
Impact of social transfers (2015)	-0.282	-.430**
Severe material deprivation (2015)	0.362*	.393**

Source: Authors’ own work based on EWCS (2015), EUROSTAT (2018), Standard Eurobarometer 83, World Bank Governance Indicators (2015), WE Forum - The Global Competitiveness Report (2014-2015), Charron et al. (2015), Transparency International (2015)

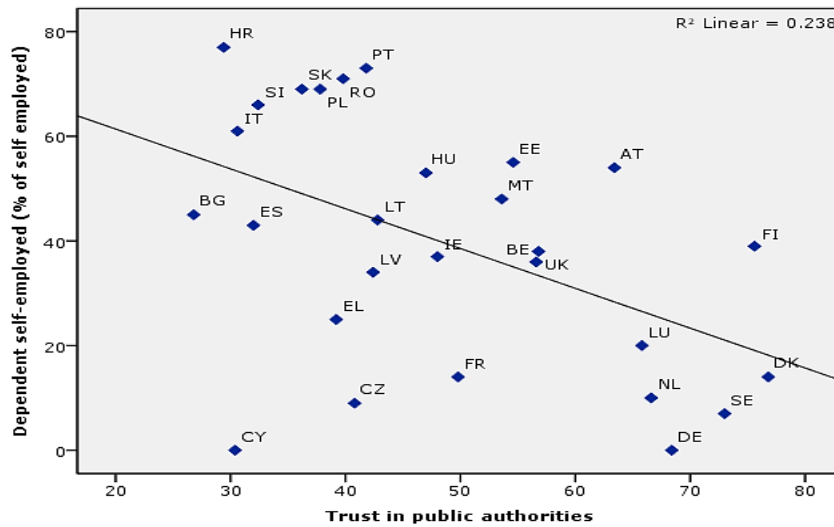
The findings show that there are higher levels of undeclared work in the agriculture, forestry and fishing sector (measured by the level of dependent self-employment) when there is:

- **Economic under-development** (measured by a lower level of GDP per capita)
- **A lack of modernisation of governance** (measured by: government effectiveness; European Quality of Governance Index; regulatory quality; the Corruptions Perceptions Index; favouritism in decisions by government officials)
- **Lower levels of state intervention** in the economy and higher levels of deprivation (measured by: public expenditure on labour market interventions; the impact of social transfers, and severe material deprivation), and
- **Greater institutional asymmetry** (measured by trust in public authorities, and the rule of law)

Figure 7 shows that when **trust in public authorities** is low, which is a proxy indicator that there is a higher level of asymmetry between the formal and informal rules of the game, undeclared work is higher. Member States such as Denmark, Finland, Sweden and Germany have relatively high levels of trust in public authorities and a relatively low prevalence of dependent self-employment. In contrast, Member States such as Bulgaria, Croatia and Italy have lower levels of trust in public authorities and higher levels of dependent self-employment. The outcome is a moderate significant relationship between the level of trust in public authorities in a country and the extent of dependent self-employment, measured by Spearman’s rank correlation coefficient ($r_s = -0.468$).

The lower is the trust in public authorities in a country (i.e., the greater the institutional asymmetry), the greater is the prevalence of dependent self-employment.⁹

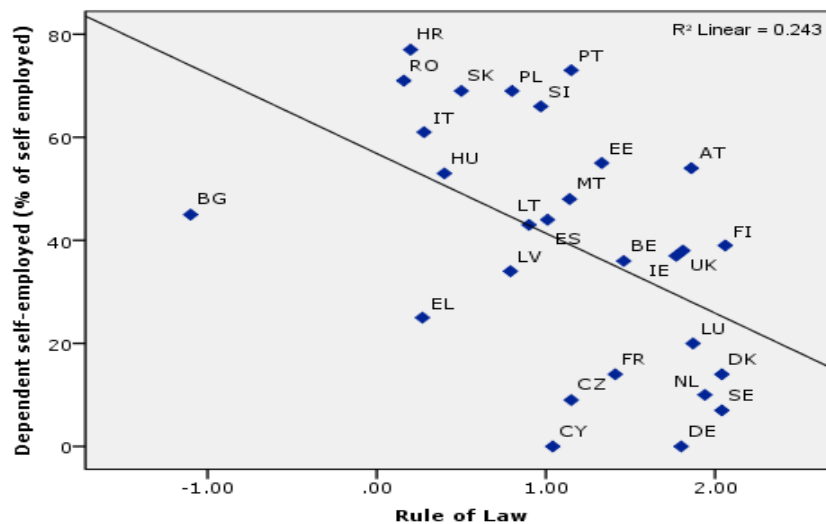
Figure 7. Relationship between dependent self-employed in agriculture (% of self-employed in agriculture) and trust in public authorities



Source: Authors' own work based on EWCS (2015) and Standard Eurobarometer 83 (2015)

The 'rule of law', similarly, measures perceptions of the extent to which citizens have confidence in and abide by the formal rules of society (and particularly confidence in the quality of contract enforcement, property rights, the police, and the courts). This further indicates whether there is symmetry between the formal and informal institutions. As Figure 8 reveals, there is a moderate correlation ($r_s = -0.544$). When there is greater confidence in the rule of law, the prevalence of undeclared work in agriculture is significantly lower (measured by the dependent self-employment in agriculture).

Figure 8. Relationship between dependent self-employed in agriculture (% of self-employed in agriculture) and rule of law



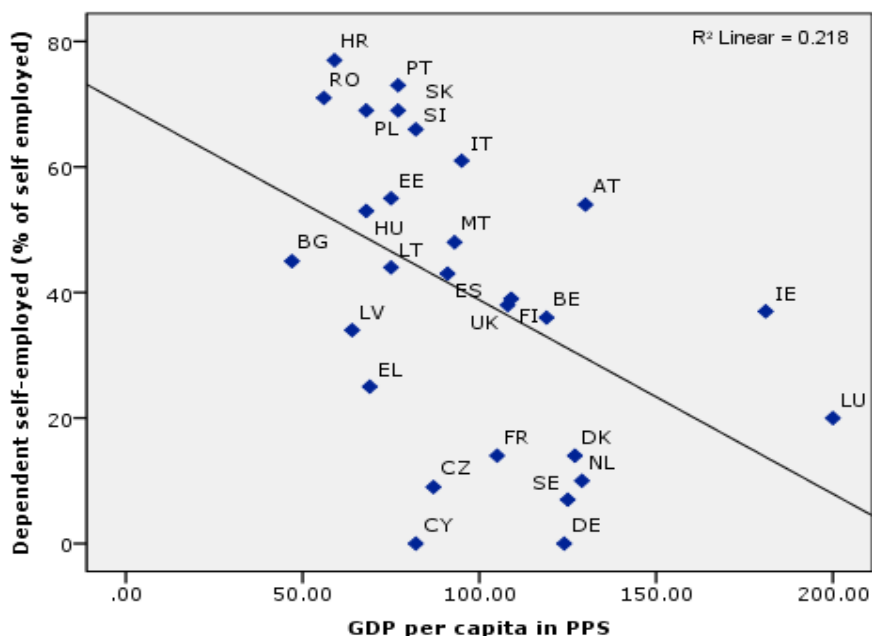
Source: Authors' own work based on EWCS (2015) and World Bank Governance Indicators (2015)

Economic under-development, measured by GDP per capita in personal purchasing power standards (PPS), also leads to higher levels of undeclared work. As Figure 9 reveals, there is a moderate correlation between cross-national variations in the level

⁹ A study of EU rural areas also reveals that participation in undeclared work in EU rural areas is significantly correlated with the level of trust of rural inhabitants in public authorities (Williams and Horodnic, 2017c).

of GDP per capita in PPS and cross-national variations in the prevalence of undeclared work in the agricultural sector ($r_s = -0.527$). The greater the level of GDP per capita in PPS, the lower is the prevalence of dependent self-employment in agriculture, forestry and fishing. Member States with lower levels of GDP per capita in PPS have higher levels of dependent self-employment in agriculture, such as Croatia, Romania and Poland, whilst Member States with higher levels of GDP per capita in PPS have lower levels of such undeclared work, such as Germany, Sweden and the Netherlands.

Figure 9. Relationship between dependent self-employed in agriculture (% of self-employed in agriculture) and GDP per capita in purchasing power standards

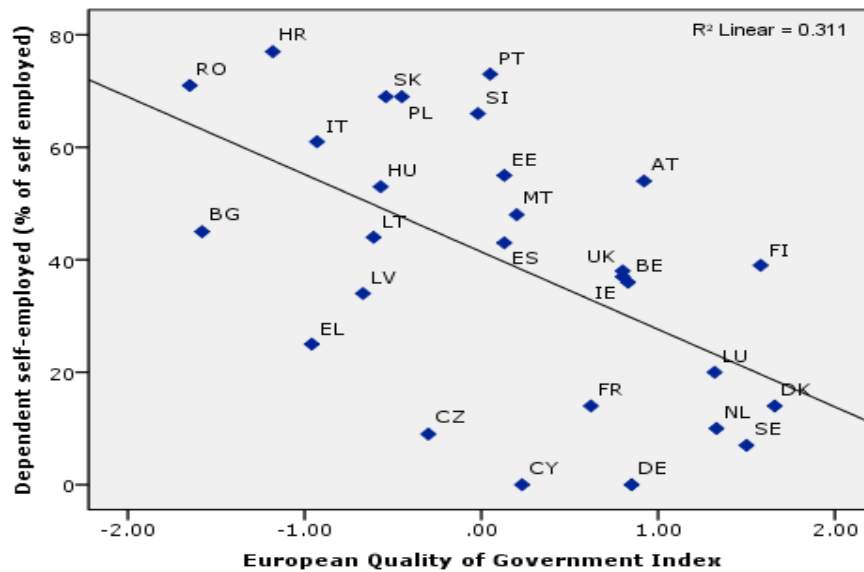


Note: The GDP of LU was capped at 200. Using the figure of 267, the correlation coefficient is the same.

Source: Authors' own work based on EWCS (2015) and EUROSTAT (2018)

To understand the correlation between the modernisation of governance and level of undeclared work in agriculture, forestry and fishing, multifarious indicators can be used, as Table 19 displayed. All these indicators reveal a significant association between the modernisation of governance and prevalence of undeclared work in agriculture. Take, for example, the European Quality of Government Index. This index includes both the perceptions and experiences of citizens with public sector corruption, along with the extent to which citizens believe various public services are impartially allocated and of good quality. The index is standardized with a mean of zero, with higher scores marking a higher quality of government (Charron et al., 2015). Figure 10 displays the moderate statistically significant correlation ($r_s = -.557$) between the cross-national variations in the prevalence of dependent self-employment in agriculture and the European Quality of Government Index. Countries such as Romania, Bulgaria and Croatia not only have a poor quality of government but also relatively high levels of dependent self-employment in agriculture. At the other end of the spectrum, countries such as Sweden, the Netherlands and Denmark have not only a relatively high quality of governance but also relatively low levels of dependent self-employment in agriculture, forestry and fishing.

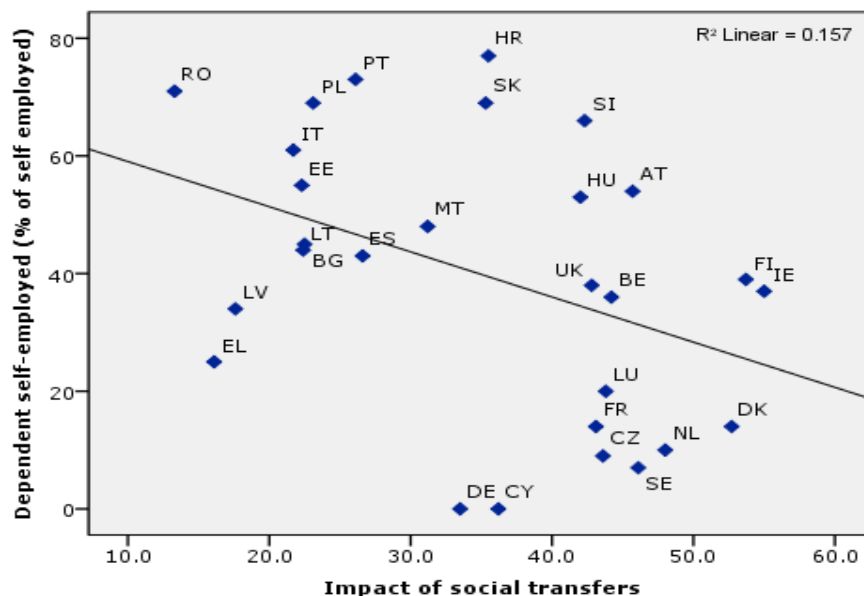
Figure 10. Relationship between dependent self-employed in agriculture (% of self-employed in agriculture) and European Quality of Government Index



Source: Authors' own work based on EWCS (2015) and Charron et al. (2015)

To display how **greater levels of state intervention** in the economy are associated with lower levels of undeclared work, Figure 11 reveals the association between cross-national variations in the prevalence of dependent self-employment in agriculture and cross-national variations in the impact of social transfers on reducing poverty. The finding is a moderate statistically significant correlation ($r_s = -0.430$). The greater the impact of social transfers on reducing poverty, the lower is the prevalence of dependent self-employment in agriculture.

Figure 11. Relationship between dependent self-employed in agriculture (% of self-employed in agriculture) and impact of social transfers



Source: Authors' own work based on EWCS (2015) and EUROSTAT (2018)

It is important to state that no significant association is identified between the prevalence of undeclared work in agriculture and **taxation levels**. Whatever indicator of tax levels is used, there is no significant association. Moreover, whatever indicator of undeclared work in the agricultural sector is used (e.g., unregistered employment, dependent self-employment, and envelope wages), no significant association is found. This reinforces an earlier study by Kikilias (2009) which found no significant association between tax rates and the level of undeclared work.

To enable individual Member States to assess their relative progress on each of these key economic and social determinants of the prevalence of undeclared work in the agriculture, forestry and fishing sector, Figure 12 provides a quick reference guide, or 'league table', of the relative position of Member States. Ranking Member States according to the prevalence of undeclared work in agriculture, the figure then denotes the relative position of each Member State on every structural condition significantly associated with the prevalence of undeclared work. To do so, we use a traffic light system composed of red where a Member State is in the 'bottom quartile' on an individual structural determinant, amber where it is in the 'lower middle' quartile, yellow when it is in the 'upper middle' quartile and green when it is in the 'upper quartile'.

For instance, the UK has a middle-ranking prevalence of dependent self-employment and unregistered employment in agriculture and is in the upper quartile or upper-middle quartile on nearly all structural determinants associated with reductions in the prevalence of undeclared work. However, it is in the third quartile on the % of GDP spent on labour market interventions aimed at correcting disequilibria (e.g., training, employment incentives, supported employment and rehabilitation, out-of-work income maintenance). This explicitly target groups with difficulties in the labour market, namely: the unemployed; those employed but at risk of involuntary job loss; and people who are currently inactive in the labour market but would like to work. The very tentative intimation from Figure 12, therefore, is that if the UK wished to reduce undeclared work in agriculture further, it might make the decision to target greater resources towards this structural feature of the UK economy.

Spain, meanwhile, performs relatively well on nearly all the economic and social features associated with low levels of undeclared work, but with two exceptions. It ranks in the bottom quartile on trust in public authorities and the perceived wastefulness of government spending. The norms, values and beliefs of its citizens are therefore among the most unaligned with the formal laws and regulations in the whole of the EU28. To reduce this asymmetry between Spanish citizens' views, therefore, there is a need for relatively greater emphasis to be put on increasing trust in the state such as by using awareness raising and educational initiatives, as well as a modernisation of the formal institutions.

Figure 12. Key determinants of dependent self-employed and unregistered employment in agriculture sector: ranking of the EU28

	Dependent self-employed (% all self-employed)	Unregistered employment (%)	Trust in public authorities	Government Effectiveness	Wastefulness of government spending	European Quality of Government Index	Regulatory Quality	Rule of Law	Corruption Perceptions Index	Favouritism in decisions by government officials	GDP per capita in PPS	Public expenditure on labour market interventions	Impact of social transfers	Severe material deprivation
Croatia	77	23	27	23	25	26	28	26	22	23	26	16	15	21
Portugal	73	42	17	12	18	16	19	13	13	13	18	8	20	19
Romania	71	35	19	28	22	28	25	27	25	23	27	28	28	27
Poland	69	56	21	22	17	19	18	20	14	16	23	19	21	16
Slovakia	69	3	22	21	24	20	21	22	22	28	18	25	16	18
Slovenia	66	55	23	19	25	17	24	18	16	20	16	16	12	10
Italy	61	37	25	25	28	24	23	24	27	26	12	11	25	20
Estonia	55	6	10	16	5	14	8	12	11	9	20	21	24	8
Austria	54	49	7	9	12	6	10	6	9	11	3	7	6	5
Hungary	53	18	14	24	20	21	22	23	22	25	23	14	13	25
Malta	48	21	11	20	8	13	13	15	16	18	13	27	18	16
Bulgaria	45	39	28	27	20	27	26	28	28	26	28	23	22	28
Lithuania	44	11	15	13	18	22	12	17	18	14	20	25	23	22
Spain	43	11	24	14	22	14	20	19	19	18	14	5	19	13
Finland	39	30	2	4	2	2	2	1	2	1	9	3	2	3
UK	38	34	8	5	8	9	1	7	6	7	10	20	11	12
Ireland	37	36	13	8	8	9	3	9	10	7	2	9	1	15
Belgium	36	20	9	10	14	8	11	10	8	9	8	6	7	10
Latvia	34	40	16	15	16	23	16	21	20	16	25	24	26	24
Greece	25	94	20	26	25	25	27	25	25	20	22	18	27	26
Luxembourg	20	25	6	7	4	5	9	5	4	4	1	13	8	2
Denmark	14	41	1	1	8	1	6	2	1	6	5	1	3	6
France	14	6	12	10	15	11	14	11	11	12	11	2	10	8
Netherlands	10	33	5	2	5	4	5	4	5	2	4	4	4	4
Czech Republic	9	7	18	17	1	18	15	13	20	20	15	22	9	14
Sweden	7	0	3	3	2	3	3	2	3	3	6	9	5	1
Cyprus	0	85	26	17	12	12	17	16	15	14	16	15	14	23
Germany	0	17	4	5	7	7	7	8	6	4	7	12	17	7

Notes: First Quarter Second Quarter Third Quarter Fourth Quarter

Source: Authors' own work based on EWCS (2015), EUROSTAT (2018), Standard Eurobarometer 83, World Bank Governance Indicators (2015), WE Forum - The Global Competitiveness Report (2014-2015), Charron et al. (2015), Transparency International (2015)

Ranks based on macro level indicators values in 2015, except *European Quality of Government Index* - 2013

Systemic determinants of undeclared work in the agriculture, forestry and fishing sector

- ✓ Intense cost pressures on agricultural producers from the food processing industry and grocery retailers lead to strategies to reduce production and labour costs, sometimes resulting in the prevalence of undeclared work.
- ✓ Higher levels of undeclared work in the agriculture, forestry and fishing sector are associated with various wider structural conditions.
- ✓ These systemic problems are formal institutional failings that lead people to not trust the state and to thus view undeclared work as acceptable.
- ✓ The level of undeclared work in the agriculture, forestry and fishing sector is higher when there is:
 - Low GDP/capita in PPS.
 - Poor quality governance, including public sector corruption.
 - Higher levels of severe material deprivation.
 - Low levels of expenditure on active labour market policies to help vulnerable groups.
 - Ineffective policies of redistribution via social transfers to protect workers from poverty.

4. LEGISLATIVE AND INSTITUTIONAL FRAMEWORKS

To understand the legislative and institutional frameworks within which undeclared work in the agricultural sector can be tackled, there is a need to recognise that undeclared work can be conducted unintentionally or intentionally. It is conducted unintentionally when regulations for example are too complex. Meanwhile, it is conducted intentionally for three key reasons:

- to evade payment of the full tax contributions owed to the state;
- to evade payment of the full social insurance contributions owed such as pension and health insurances; and
- to evade having to meet certain legal labour standards, such as minimum wages and maximum hours.

As such, undeclared work in the agricultural sector is of interest to government authorities responsible for tax, social security and labour law compliance respectively.

For *tax administrations*, their main interest in undeclared work is the lost tax revenues that result from employers in the agriculture, forestry and fishing sector under-reporting their income to the state for tax compliance purposes.

For *social insurance institutions*, and for tax administrations responsible for social security contributions such as pension and health insurance contributions, their main interest is both the lost social contribution revenues that result from undeclared work in agriculture, forestry and fishing sector, and the negative impacts on workers who may have reduced pension and health entitlements due to this non-declaration.

For those charged with ensuring *labour law compliance*, such as labour inspectorates, meanwhile, their main interest in undeclared work in the agriculture, forestry and fishing sector is the negative impacts on workers due to non-registration or other labour law violations (e.g., on working hours, holiday entitlements).

In different Member States, however, there are variations in where responsibility lies for tackling undeclared work. Some member states have one agency responsible for some and/or all these facets of undeclared work (e.g., Germany). However, in most Member States, not only is the responsibility for tax, social insurance and labour law compliance in relation to undeclared work distributed across a range of institutions (e.g., labour, tax and social insurance inspectorates and agencies), but the powers of each of these institutions in relation to tackling undeclared work vary.

Although it is beyond the reach of this report to map how the institutions and legislative responsibilities vary across the Member States, it is nevertheless important to recognise that:

- in most Member States, different institutions are responsible for the tax, social security and labour law violations that result from undeclared work in the agriculture, forestry and fishing sector;
- the resources in terms of databases available to identify undeclared work in this sector significantly vary, and
- the powers of each of these institutions to identify, inspect and prosecute such work often differ markedly.

5. POLICY APPROACHES FOR TACKLING UNDECLARED WORK IN THE AGRICULTURAL SECTOR

The consensus that has emerged is that the aim of governments is not to eradicate the undeclared economy, but to move undeclared work into the declared economy (Eurofound, 2013; European Commission, 2007a; ILO, 2015; Williams, 2014a, 2017a,b).

As Figure 13 displays, on the one hand, there are 'direct' tools that transform undeclared work into declared work by ensuring that the benefits of declared work outweigh the benefits of undeclared work. This is accomplished either by using deterrence measures to increase the costs of undeclared work ('sticks') and/or by making declared work more beneficial and easier using incentives ('carrots'). On the other hand, there are 'indirect' tools. These shift away from using 'sticks' and 'carrots', and instead focus on dealing with the formal institutional failings to repair the social contract between the state and its citizens to foster a high trust high commitment culture. These seek either to change the norms, values and beliefs regarding the acceptability of undeclared work, so that these are in symmetry with the laws and regulations (e.g. using awareness raising campaigns and educational initiatives), and/or to change the formal institutional imperfections. Firstly, this, involves changing the internal processes of formal institutions to improve the perception that there is procedural and distributive fairness and justice, to improve trust in government. Secondly, and as chapter 4 showed, it involves resolving the structural conditions that lead to undeclared work, including: increasing GDP per capita; improving the quality of governance and reducing corruption; increasing expenditure on labour market interventions to help the most vulnerable groups; and developing more effective social transfer systems to reduce the level of inequality and severe material deprivation.

There is an emergent recognition that tackling undeclared work is most effective when direct and indirect policy approaches are combined (Williams, 2014a, 2017a,b). For example, inspectorates may focus upon improving the perceived, rather than the actual, risk of detection, using a marketing campaign about how effective tools are being developed to identify those in the undeclared economy, and that unless employers put their affairs in order, then they will be caught in a matter of time. This marketing campaign might run alongside either a voluntary disclosure initiative and be coupled with the threat of severe sanctions for those who fail to put their affairs in order.

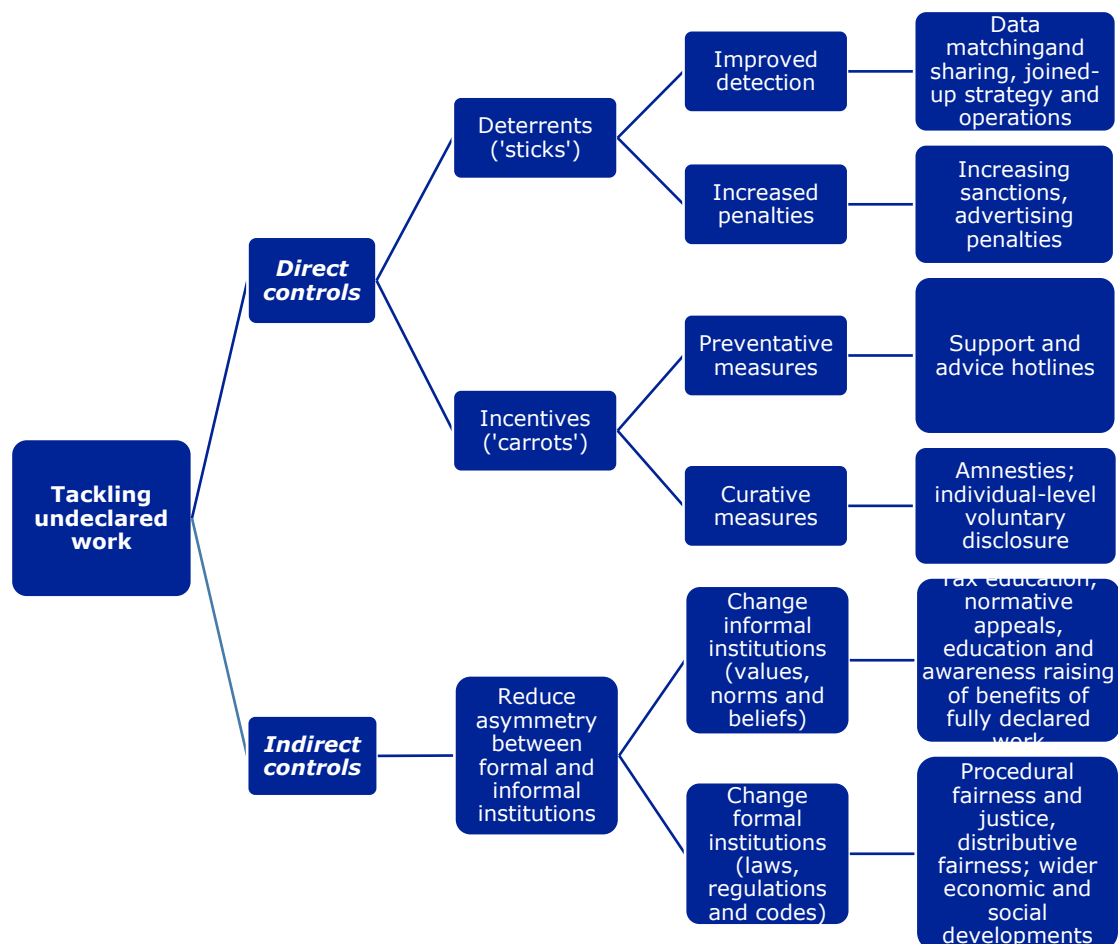
As such, there is recognition that a **holistic approach** should be pursued. This is where national governments use a whole government approach to tackle undeclared work, by joining-up on the level of both strategy and operations the policy fields of labour, tax and social security law, and involve and cooperate with social partners and other stakeholders. Furthermore, it uses the full range of both direct and indirect policy measures available to increase the power of, and trust in, authorities respectively. Two contrasting approaches exist regarding how to combine and sequence the various direct and indirect policy approaches:

- **Responsive regulation** - this envisages a regulatory pyramid, with the least intrusive indirect controls used first, and only as a last resort the most intrusive direct controls. Here, authorities start with the commitment measures and if these fail to change behaviour with some groups, then incentives are used and only as a final step, punitive measures if nothing else elicits the desired response (Braithwaite, 2003; Job et al., 2007).
- **Slippery slope framework** - this argues that citizens abide by the law either because they fear detection and fines due to the power of authorities (**enforced compliance**) or because they feel a commitment to be honest because they have trust in the authorities (**voluntary cooperation**). When there is effective enforced compliance as well as high voluntary cooperation (i.e., both power and trust),

under-declared employment is absent. When there is ineffective enforced compliance and little voluntary cooperation, undeclared work is more extensive.¹⁰

Here, the range of tools available for achieving both effective enforced compliance and high voluntary cooperation are reviewed in relation to the agriculture, forestry and fishing sector.

Figure 13. Policy approaches for tackling undeclared work



Source: derived from Williams (2017a: Figure 1)

¹⁰ Alm and Torgler, 2011; Alm et al., 2012; Kirchler et al., 2014; Kogler et al., 2013

6. EVIDENCE-BASED EVALUATION OF GOOD PRACTICE APPROACHES

To tackle undeclared work in the agriculture, forestry and fishing sector, either direct or indirect policy measures can be used. To commence, an evaluation is undertaken of increasing the costs of engaging in undeclared work by improving the penalties if caught and the perceived and/or actual risk of detection.

6.1 Direct controls: deterrents

6.1.1 Penalties

To ensure that the pay-off from evasion is lower than the expected cost of being caught and punished, authorities can increase the sanctions and penalties for those caught. Evaluating the impacts of increasing penalties, the finding is not clear-cut that this is effective. Some evaluations find that increasing fines reduces undeclared work. However, others identify that increasing penalties leads to a growth in such work, has no effect, or only a short-term effect, on compliance (Williams, 2014, 2018). This is because imposing penalties can be counterproductive and undermine the social contract between citizens and the authorities (Ayres and Braithwaite, 1992). The use of threat and legal coercion can lead to the opposite behaviour from that sought. Increasing the penalties can result in greater non-compliance (Murphy and Harris, 2007). Schildberg-Hörisch and Strassmair (2010) however, find that the reaction to the severity of punishment depends on the motivational postures of people. The suggestion is that penalties should be used only with the minority who are non-compliant rather than used as a threat wielded towards all. Reinforcing this, Wenzel (2004a) in a survey of 1406 Australians finds that increasing penalties only works when individual ethics are weak. Where social norms are strongly in favour of tax honesty, sanction severity increases non-compliance.

Indeed, this is recognised by the social partners in the agricultural sector. In the Plenary Meeting of the Sectoral Social Dialogue Committee for Agriculture of 7th of November 2017, GEOPA-COPA and EFFAT agreed on the following common statement on tackling undeclared work and social dumping:

“GEOPA-COPA and EFFAT believe that proportionality as a **principle of enforcing** should be promoted at EU level and recommended to all the Member States. In fact, law should **establish sanctions which are proportionate** to the type of the misconduct, so that on the one hand severe sanctions should be issued for major violations or wilful violations and at the other hand unintentional mistakes, minor violations or omissions unintentionally should be punished with lighter sanctions.”

This applies across all types of sanction. For example, in some countries, naming and shaming has emerged as a new type of sanction. Shaming can be of two types: shaming that stigmatizes the offender and favours his/her exclusion from the community, or shaming followed by forgiveness and reintegration. Coricelli *et al.* (2014) show that this too needs to be proportionate. When shaming occurs with no opportunity for reintegration, non-compliance is more likely to be repeated than when shaming is immediately followed by opportunities for reintegration.

It is also important to recognise that penalties do not tackle the causes of undeclared work in agriculture. They do not deal with the structural factors that lead to undeclared work, exploitation of labour and trafficking (see Palumbo and Sciarba, 2015). Although necessary, therefore, penalties on their own are insufficient for tackling undeclared in the agricultural sector. They are one part of a holistic approach. Indeed, the responsive regulation approach recommends sanctions should be used only if nothing else elicits the desired response (Braithwaite, 2003; Job *et al.*, 2007), whilst the slippery slope framework views fines as a tool to be used alongside detection measures to increase the power of authorities, whilst at the same time promoting greater trust in the authorities.

6.1.2 Improving detection: agriculture sector inspections

Besides increasing penalties, another way to increase the costs of engaging in undeclared work is to increase the perceived and/or actual risk of detection. One of the most prominent means of achieving this is to use inspections of agricultural holdings.

Indeed, the **ILO 1969 Labour Inspection (Agriculture) Convention (C129)** sets out clearly that each member state shall maintain a system of labour inspection in agriculture (article 3) which applies to all agricultural undertakings in which employees or apprentices work, however they may be remunerated and whatever the type, form or duration of their contract (article 4). Article 5, however, makes clear that it is not solely agricultural holdings with employees which should be subject to inspection. As Article 5 states,

1. Any Member ratifying this Convention may, in a declaration accompanying its ratification, undertake also to cover by labour inspection in agriculture one or more of the following categories of persons working in agricultural undertakings:
 - (a) tenants who do not engage outside help, sharecroppers and similar categories of agricultural workers;
 - (b) persons participating in a collective economic enterprise, such as members of a co-operative;
 - (c) members of the family of the operator of the undertaking, as defined by national laws or regulations.¹¹

However, paragraph 2 of article 16 is clear that "Labour inspectors shall not enter the private home of the operator of the undertaking ... except with the consent of the operator or with a special authorisation issued by the competent authority."

One important issue is that not all EU Member States have ratified this convention. In **Greece**, for example, not only has C129 not been ratified but Law 3996/2011 states that the labour inspectorate (SEPE) should only inspect enterprises that keep employment records (which many small farmers do not). The outcome has been that historically, agricultural holdings have been seldom subject to inspection visits in Greece (ILO, 2016).

Moreover, the **European Parliament resolution of 14 January 2014** on effective labour inspections as a strategy to improve working conditions in Europe (2013/2112(INI)) recognises that this problem of inspecting agricultural holdings is not confined to Greece and is a wider problem. It states that fewer labour inspections are conducted in rural areas and calls on Member States to ensure that rural regions are properly covered by inspections.

This is important. Section 2 revealed that unregistered employment and dependent self-employment are far more prevalent in the agriculture, forestry and fishing sector than in other sectors, yet **few Member States seem to prioritise the agriculture sector for workplace inspections.**

In Sicily, for example, Palumbo (2016) highlights how no labour inspections of agricultural holdings took place for some years, not least due to salaries of inspectors not being paid between 2012 and 2015. In other Member States such as Croatia, moreover, the State Labour Inspectorate cannot take measures to combat illegal employment in the agriculture sector except in specified cases where information is forwarded by the Ministry of Agriculture which is responsible for inspecting the observance of special regulations in the field of agriculture, forestry and water management.

Yet when the agriculture sector is targeted, inspections are effective in identifying undeclared work. On 28 January 2010, the Italian government launched a special

¹¹ See: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C129

inspection strategy in agriculture (and construction) in the regions of Calabria, Campania, Puglia and Sicily to fight undeclared work. The intention was to implement a series of planned and coordinated joint inspections targeted at seasonal agricultural activities and a list was produced of the areas, the crops and the months for the inspections. Overall, the strategy provided that a total of 10,000 agriculture firms had to be inspected in the four regions. The strategy covered the period March to December 2010 utilising 550 inspectors, including 50 coming from other regions. The programme budget of €1.9 million was introduced to cover the expenses for the mobility of the personnel coming from other regions. The outcome was that 44% of the inspected agriculture holdings showed some form of irregularity. Of the 8,445 agricultural holdings inspected, 3,736 had irregularities, and of the 31,007 workers inspected, 3,832 were undeclared workers and there were 6,724 other workers with irregularities, and 9,876 health and safety violations.¹²

One of the key problems with inspections of agricultural holdings, furthermore, is that this is not always the most effective way of dealing with the intermediaries that are used in agriculture to match demand and supply. In the UK, the solution that has been adopted is to license them. Box 5 displays how this has been achieved in the UK.

Box 5. Gangmasters (licensing) Act 2004

Aims: The main aim of this initiative was to ensure that all labour suppliers in the targeted industries, including agriculture, hold a valid licence in order to:

- put an end to the exploitation of workers in these industries;
- curb exploitative and other illegal activities of labour providers;
- increase tax revenues by promoting the employment of legitimate workers;
- promote fair competition among labour providers;
- identify and act against labour providers operating without a licence.

Description: In the UK, the Gangmasters (licensing) Act 2004 was implemented following concerns over the exploitation of workers in agriculture, forestry, horticulture, shellfish gathering and food processing and packaging industries by labour providers known as 'gangmasters'. It provided for a Gangmasters Licensing Authority (GLA) to regulate labour providers and employment agencies and sets out eight standards covering areas including: pay and tax matters; prevention of forced labour and mistreatment of workers; working conditions; and sub-contracting and using other labour providers. A team of compliance officers has been established to enforce the licensing requirements, including random checks. It is an offence for gangmasters to operate without a license. It is also an offence for labour users to employ workers supplied by unlicensed labour providers.

The licensing process begins with an initial application to the GLA; following verification checks with other government agencies, a decision is then made on how to proceed. Unless a gangmaster has been previously inspected, the GLA will then carry out an inspection of the applicant gangmaster. Issues raised during the application, verification and inspection process are ranked according to their level of seriousness, and certain labour providers may have to change their business practices to acquire a licence. Post-licensing, the GLA then carries out targeted, intelligence-based compliance checks. Details of all successful licensees are held on the GLA's public register, available online for public access and for labour users to consult to ensure that they are compliant with the 2004 act in only using licensed labour providers.

Evaluation: Precision Prospecting (2004a,b,c) estimated the following findings: some 500–600 visible and 1,000–2,000 invisible labour providers operate in GLA

¹² See: <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/inspection-strategy-in-agriculture-and-construction-italy>

sectors – 240 of the visible labour providers operate in secondary processing; 450,000–610,000 temporary labourers can be found in GLA sectors in the UK; in an average month, farm enterprises employ 225,000 temporary workers of whom 100,000 are employed directly and 125,000 through labour providers or gangmasters; labour providers were most likely to be used to meet the 'just-in-time' needs of supermarkets; migrant workers were of particular importance for labour providers, particularly those from the new EU Member States, and especially in the secondary food processing industry; almost half of temporary workers stayed with labour providers for less than a month; satisfaction levels among temporary workers are high; only a minority of gangmasters are considered exploitative. However, Brass (2004: 320) estimates the number of gangmasters to reach 2,000–3,000 while Craig et al (2007) suggest up to 10,000 gangmasters operate across all industrial sectors in the UK. The businesses of most gangmasters are small both in terms of turnover with four fifths having turnovers of less than £1 million and half having fewer than 100 workers on their books (Geddes et al, 2007).

Between 2008 and 2015, there were 58 prosecutions for operating as a gangmaster without a license, Quarterly impact reports on the performance of the now renamed Gangmasters and Labour Abuse Authority (GLA) are available at: <http://www.gla.gov.uk/our-impact/performance-reports/>

6.1.3. Improving detection: written contract by first day of work

For effective inspections to occur and to prevent undeclared work, it is necessary that workers receive a written contract by the first day of commencing work. If not, employers can claim to inspectors that the worker is on his/her first day of work. This has been prominently proposed by **EFFAT** who have sought the introduction of a written employment confirmation by the employer to be handed out to the worker at the latest on the day when work is taken up, and for this to be sent to the social insurance agency responsible (according to national regulations), again on the first day of work. This is a simple effective means of detecting undeclared work. Indeed, the importance of introducing a written contract by the first day of work as a key means of tackling undeclared work was heavily reinforced during an interview with EFFAT when preparing this Report.

At present, not all Member States have this in place. A study for Copea-Cogea asserts that the deadline for compulsory declaration of recruitment is before the start of work in some countries (e.g., Austria, France, Hungary, Italy, Lithuania), at the same time as the start of work in others – Belgium, Cyprus, Czech Republic, Spain and the Netherlands – and subsequent to the start of work in other Member States, namely Denmark, Finland, Poland and Sweden.

6.1.4. Improving detection: certified cash registers

Certified cash registers have been widely introduced in many sectors of the economy (see Williams, 2018). Given that there is a trend towards 'farm diversification' across the EU28, such as selling home-grown produce to customers on farms, and renting accommodation on farms to tourists, especially with the rapid growth of rural and green tourism, the application of certified cash registers to the agricultural sector may be a useful additional measure which might help reduce the prevalence of undeclared transactions in this sector.

6.1.5 Improving detection: deterring cash transactions

A further useful wider measure is to deter the use of cash and provide incentives for using cards at the point-of-sale. Many day-to-day transactions, especially with regard to farm diversification commercial activities, remain cash-based in most Member States. Developing incentives for individuals to use cards is a way forward. Argentina for example, offers a 5% VAT discount on debit card transactions and 3 per cent on credit

card purchases. South Korea offers citizens a lump-sum refund if card usage exceeds 20% of individual gross income for credit cards and 25% for debit cards. In the USA however, the move is in the opposite direction. A US District Court ruling allowed owners of stores in many states to charge purchasers a surcharge of up to 4% for using a credit card. Prior experience on surcharges from Australia however, show that while few retailers used it in the first instance, about one-third now do and surcharges have spiralled above card acceptance costs, causing the Reserve Bank of Australia to revisit and relax the rules. As a previous Platform report highlights, there is therefore a need for some caution regarding deterring cash transactions and incentivising electronic payments (see Williams, 2018).

6.1.6 Improving detection: notification letters and data mining

The use of **notification letters** based upon data mining to identify risky agricultural enterprises is one way of encouraging compliant behaviour in agriculture. An experiment based on over 40,000 taxpayers in Denmark by the Danish tax administration finds that notification letters had a strong positive effect on tax payers adjusting upwards their self-reported tax liabilities (Kleven et al., 2011: 27).

This use of notification letters could be more widely applied. It is a cheap means of encouraging compliant behaviour, and could be used to encourage not only tax compliance but also compliance with labour laws and social insurance payments. Indeed, notification letters may be particularly useful when used as a follow-up to a **data mining exercise** to identify farm businesses who are found to be **'outliers'** on various indicators (e.g., **who have higher than average expenses, higher ratios of credit card to cash payments compared with other similar 'farm diversification' businesses, lower than average wage levels**). Indeed, in some inspectorates, such as the UK and Belgium, the use of **dynamic benchmarking**, where the data determines what the norm is, is being used to identify outliers to whom notification letters are sent.

An example is the hotel sector in the UK where turnover to credit card transaction ratios are being used to identify outlier hotels where turnover is closer to the total credit card transactions than is the norm. This dynamic benchmarking of the hotel sector can also occur on an individual city level or for a particular type of accommodation provider, since credit card to turnover ratios are higher in large London hotels than in smaller hotels in smaller towns. This then enables targeted notification letters where the evidence can be presented. Indeed, based on this dynamic benchmarking approach, the UK tax administration authority (HMRC) has used its databases to identify and send 460,000 notification letters to outliers to 'nudge' behaviour towards tax compliance. A similar approach could be applied to the agricultural sector.

Indeed, this use of notification letters to 'nudge' changes in behaviour has become ever more popular, with Australia, Canada, France, the United States and Switzerland among the countries to have followed the example above of the UK where a 'nudge unit' was established in 2010. However, the evidence is that the effectiveness of 'nudge' letters depends on how it is structured. In Canada, Beeby (2017) reports how 8,000 taxpayers who had been assessed as owing up to \$950 in taxes but had not paid were in 2014 targeted. A half received friendly encouragement 'nudge' letters and a half were threatened with punishment. They found that the friendly nudge letters collected 12% more taxes owed than the standard punitive letter. However, in March 2016, a similar study of 6,877 taxpayers showed that those receiving the punitive notification letter paid more than those receiving the friendly nudge letter.

Chung and Trivedi (2003) examine the impact of normative appeals on a friendly persuasion group who were required to both generate and read a list of reasons why they should comply fully and were compared with a control group not asked to do so. Participants earned \$30 by filling in two questionnaires. The friendly persuasion group were required firstly to generate and secondly to read a list of reasons why they should comply fully and were compared with a control group not asked to do so. Participants in both groups were asked to report the income they earned and pay tax on the reported

income. The results show a significant difference between the friendly persuasion and control group on income reported. The participants in the friendly persuasion group report higher earnings than the control group. Hasseldine *et al.* (2007), meanwhile, examine 7,300 sole proprietors in the UK. Comparing the effect of five different letters ranging from a simple offer of assistance to a letter advising that his/her tax return had been already pre-selected for audit, they find that letters threatening sanctions were more effective than normative appeals to do the right thing.

There is a need, therefore, for much more experimentation with the use of notification letters before any firm conclusions can be drawn on what type of letter works best. A thorough review of the evidence on the effectiveness of different types of normative appeal and/or notification letter, both in the agriculture sector and beyond, would be a useful future exercise for the Platform.

One immediate way forward is for Member State enforcement authorities to conduct pilot studies with various types of notification letter in the agricultural sector. To do so however, there will be a need for enforcement authorities and social partners to consider whether the above criteria for assessing what is a risky farm enterprise are appropriate or whether additional (or alternative) criteria are needed.

6.1.7 Improving detection: peer-to-peer surveillance

Given the difficulties of conducting inspections in rural areas, another option is to rely more on peer-to-peer surveillance whereby rural citizens report instances of undeclared work in the agriculture sector.

This would require either advertising an existing complaint reporting tool in rural areas or for a new complaint reporting tool to be developed specific to agricultural activities. This complaint reporting tool might be based in an enforcement authority or alternatively, it might be the case that the social partners in the agricultural sector could host a complaint reporting tool (e.g., a telephone hotline for reporting non-compliance with tax, social insurance or labour law). If the latter is used, then a prior agreement will need to be reached with national enforcement authorities about how the information reported will be used by the national enforcement authorities.

Another option, which will be returned to below, is to encourage peer-to-peer surveillance by educating those working in this sector about the benefits of declared work and costs of undeclared work, and in doing so, making it more socially unacceptable to engage in undeclared work, so that such activity will no longer be tolerated.

6.1.8 Improving detection: coordinating operations

A further means of improving detection is to coordinate operations. Box 6 reports on an initiative to coordinate inspections across authorities in Southern Italy.

Box 6: Coordinated inspections in agriculture and construction in southern Italy

Aim: To improve detection of undeclared work through joined-up inspections.

Description: In 2010, the Italian Ministry of Labour launched a special inspection plan to fight undeclared work in agriculture and construction in four southern Italian regions (Calabria, Campania, Puglia and Sicilia). This involved planned and coordinated inspections carried out jointly by teams of labour inspectors, inspectors from the social security agency (INPS) and the workplace accident insurance agency (INAIL), and military personnel of the Carabinieri (the Italian military force responsible for public order). The plan identified seasonal agricultural activities as a specific target for inspections and listed the areas, crops and the months in which the inspections should be concentrated. For both agriculture and construction, quantitative targets were identified. Overall, the plan provided that a total of 10,000

agriculture firms and 10,000 building sites were to be inspected in the four regions between March and December 2010. Some 550 inspectors were employed, including 50 from other regions. The budget was €1.9 million to cover the expenses of the personnel coming from other regions.

Evaluation: The outcome was the identification of more than 20,300 irregular workers, of which around 9,150 were totally undeclared workers. Some 44% of the inspected agriculture firms and 60% of the construction sector firms showed some form of irregularity (Ministry of Labour (Italy), 2011).

6.1.10 Improving detection: supply-chain due diligence

In agriculture, supply chains can involve large retailers and processing industries seeking to increase profit margins, resulting in producers seeking to reduce production costs, sometimes through undeclared work (Mangano 2015, Perrotta, 2014; DaSud, Terra and Terrelibere, 2015). The outcome calls for:

- Companies to make the list of their suppliers known (DaSud, Terra and Terrelibere, 2015; Palumbo, 2016).
- Certifications of quality for companies that respect fair working conditions, taking into account the entire supply chain (and using effective mechanisms for evaluating the criteria to obtain such certification).
- Labelling products to allow consumers to know about the origin of the products as well as information about the supply chain (DaSud, Terra and Terrelibere, 2015).
- Information campaigns about supply chains and corporate social responsibility.

One common strategy has been to adopt **joint and several liabilities in subcontracting chains**. In **Belgium**, legislation states that when a business owner calls upon a subcontractor to carry out works and the subcontractor fails to respect minimum wage provisions, the co-contractor (business owner) is responsible for overseeing payment of the share of wages that have not been correctly paid by the subcontractor. In the agriculture sector, a collective labour agreement has been signed which grants the co-contractor the possibility of terminating the contract thus avoiding the responsibility of having to pay wages in place of the subcontractor. It also states that it is possible to use part of the amount that has been invoiced for the payment of wages that have not been paid by the subcontractor. This increases the legal certainty for employers in the agriculture sector. The law also offers social partners the possibility of signing agreements regarding responsibility in subcontracting chains.

In **Italy**, similarly, Italian law (Article 29.2 of Legislative Decree No. 276/2003) provides for **joint and several liabilities** between the client, the contractor and any subcontractor for sums due in relation to services provided during the contract. The joint and several liability system applies whenever the contractor (or subcontractor) fails to pay all or part of the wages to their employees, and/or social insurance contributions and insurance premiums due in relation to the performance of the contract. Joint and several liabilities is subsidiary and its main purpose is to safeguard the rights of employees who work in outsourced production, where a company contracts part of its production process to third parties. The deadline for exercising this right is two years from the termination of the contract. As such, it is not unusual for the client to have to pay the debt of the contractor-employer, despite having already paid the full price of the contract. In this case, it is up to the client to institute proceedings for recourse against the contractor for what it had to pay on its behalf by way of joint liability.

Ethical Trading Initiative Norway (IEH), Ethical Trading Initiative (ETI) and Danish Ethical Trading Initiative (DIEH) (2015) have called for **retailers** to map their supply chain, and perform a due **diligence assessment of their direct suppliers, namely**

the processing companies. This assessment should include the location of the supplier and subsequent likelihood of manual harvesting, measures in place to respect trade union and workers' rights, and the extent to which the supplier can provide product traceability to farm level. Retailers should then assess conditions at farms and cooperatives. Retailers are advised to prioritise assessment of farms that use manual harvesting, and assess conditions on the farms through competent organisations with local knowledge. An audit can be used to check for non-compliance and common human rights breaches. An audit can also assess the extent to which wage payments and hours worked correspond to the amount of products harvested, thus indicating the possible use of illegal recruitment and under-reporting to the authorities. Once sufficient data has been collected, an analysis of risk exposure will allow retailers to implement remedial, preventative or mitigating measures. In simple terms, this means implementing measures to (a) make improvements where a breach is observed, (b) to prevent potential breaches occurring, or (c) to reduce the likelihood of a breach occurring and the impact of such a breach. Finally, if labour exploitation is revealed at the farm level, a retailer should assess how current purchasing terms affect this. For example, negotiating excessively low prices for produce is likely to cascade down the supply chain and may well be a direct cause of worker exploitation at farm level.

The UN Guiding Principles on Business and Human Rights, state that a business has a responsibility to respect human rights and shall put into place measures that ensure that its activities and relationships do not have negative impacts on people's rights. Supply chain due diligence is therefore a method, or process, through which a business can assure stakeholders that it is not infringing upon the rights of others, which in this case include workers in the supply chain of food production. There are three basic functions of due diligence:

- identifying actual or potential human rights impacts
- preventing and mitigating those impacts
- accounting for impacts and responding to them

With the aim of improving farmers' and small and medium sized businesses' position in the food supply chain, on 12 April 2018 the European Commission proposed new legislation on **unfair trading practices in business-to-business relationships in the food supply chain** (12.4.2018 COM(2018) 173 final). Unfair trading practices (UTPs) are business-to-business practices that deviate from good commercial conduct and are contrary to good faith and fair dealing. The food supply chain is vulnerable to UTPs due to stark imbalances between small and large operators. Often farmers and small operators in the food supply chain do not have sufficient bargaining power to defend against UTPs. Although many EU member countries already have different national rules on UTPs, in some countries there is no or only ineffective specific protection against UTPs. The Commission proposal ensures a standard level of protection across all EU countries. Article 1 of this Directive reduces the occurrence of UTPs in the food supply chain by establishing a minimum list of prohibited unfair trading practices between buyers and suppliers in the food supply chain and lays down minimum rules concerning their enforcement and arrangements for the coordination between enforcement authorities. Such UTPs include:

- Late payments for perishable food products
- Last minute order cancellations
- Unilateral or retroactive changes to contracts

6.2 Incentives: supply-side

6.2.1 Simplifying compliance

Simplifying compliance is a key way of governments making it easier and more beneficial for employers and the self-employed, as well as workers, to operate on a declared basis. Those operating in the undeclared economy might be intentionally non-

compliant but may also unintentionally not comply. For both groups, but particularly for the latter, one option is to provide better advice on how to comply. Another option is to simplify compliance. This might involve simplifying the administrative framework (e.g., easier registration procedures, simplified self-assessment) but can also include increasing the benefits of compliance (e.g., access to buyers, more favourable credit, legal protection).

Those Member States simplifying compliance recognise not only that complexity increases the likelihood of misreporting (Alstadsæter and Jacob, 2013), but also that when the costs of full administrative compliance are higher, compliance is lower (Adams and Webley, 2001; Matthews and Lloyd-Williams, 2001). Indeed, examining 45 countries, Richardson (2006) reveals that regulatory complexity is the most important determinant of non-compliance. Overall, his regression results display that the lower the level of regulatory complexity, the lower is the level of non-compliance.

As such, simplifying compliance has a key role to play in reducing non-compliance. Simplifying compliance, however, is not the same as reducing regulations (i.e., de-regulation). Simplifying compliance is about pursuing good governance, not de-regulation. Indeed, this is recognised by the social partners in the agricultural sector. In the Plenary Meeting of the Sectoral Social Dialogue Committee for Agriculture of 7th of November 2017, GEOPA-COPA and EFFAT agreed on the following common statement on tackling undeclared work and social dumping:

“It is a top priority for the social partners the **promotion of the simplification of administrative burdens**, following a responsive approach: if an administrative constraint is not necessary or effective in terms of the results expected, it should be withdrawn. In the same way, **duplication of administrative requirements must be eliminated.**”

“When regulating, specific concerns should be addressed to the administrative requirements for small enterprises and micro-enterprises in particular, in order to assure compliance is made possible and ease also to undertakings with no specialised human resources services; ”

“Based in the vast experience, GEOPA-COPA and EFFAT affirm that to tackle undeclared work, as many of other subjects, **no more regulation is needed but better regulation it is needed.** In particular, a regulatory approach based on responsive regulation provides better regulation as it grants cooperation between regulators and social partners for a multi-level and balanced regulatory framework.”¹³

For Geopa-Copa (2017), an area where there is space for simplification is where there is a potential doubling up of formalities. It is not uncommon for an employer to be asked for more than one statement – with similar content – when establishing the same employment relationship due to multiple administrations managing this type of information (e.g., employment services authority, social security institutions, tax authorities). One way forward is to ensure that the procedures for declaring the start of an employment relationship are computerised, and that there is integration between public IT systems, to avoid unnecessary duplications.

A further measure to simplify compliance is to allow smaller or seasonal jobs which are currently conducted undeclared, often out of necessity because of the complex compliance required to declare them, to move into the declared realm by introducing **simplified regulations for smaller and seasonal jobs.**

¹³ GEOPA-COPA – EFFAT (2017) Statement of the European social partners in agriculture GEOPA-COPA – EFFAT Social dialogue as the most effective means of combating social dumping and undeclared work in the agriculture sector. The shift towards sustainable and high quality jobs. GEOPA-COPA – EFFAT, Brussels

An example of such an initiative is the **2010 Simplified Employment Act (Egyszerűsített foglalkoztatási törvény) in Hungary**. This Act made it easier for seasonal and temporary employment to be conducted on a declared basis. Before this Act, it was necessary to complete in duplicate an official attendance sheet with 18 pieces of information for every seasonal worker. This Act enables the mutually agreed simplified work contract to be notified either by: a simple text message (SMS) or electronically via the Client Gate System after they are registered and in the system (<https://ugyfelkapu.magyarorszag.hu/>). It distinguishes two categories of simplified employment: seasonal agricultural work, including seasonal tourism services, and other casual/temporary work (i.e., domestic work). In the first case the employer pays taxes of HUF 500 (€1.75), in the second case HUF 1000 (€3.50) daily. All obligations are fulfilled by entering two codes into the text message or into the Client Gate System. According to data from the Hungarian National Tax and Customs Administration, between April and May 2010, 505,621 simplified employment cases were registered, of which 417,937 were for ad hoc or casual employment, 15,877 for seasonal agricultural employment, 6,393 for seasonal tourism employment, 761 at non-profit organisations, and 10,326 in plant cultivation. Some 499,987 lasted less than five days. Between 1 August 2010 and 31 December 2011, around 12.5 million working days were registered across these 17 months and HUF 8 billion (€ 28 million) flowed into the state's treasury (Rindt and Krén, 2013).

(http://hvg.hu/gazdasag/20120312_alkalmi_munkasok_bevetel).

Box 7 reports a similar initiative in Bulgaria where in July 2015, by amending the Labour Code, a daily labour contract was regulated for seasonal work in the agriculture sector.

Box 7. Short-term seasonal agricultural work contracts, Bulgaria

Aims: To reduce the share of undeclared work in the agricultural sector and encourage declared work and to include officially registered unemployed persons in legally regulated work in sectors experiencing labour shortages.

Description: The factors behind the introduction of this legislation included the growing need for workers in this sector and the need for a legal tool for hiring workers for short-term seasonal contract work. The proposal is a stimulating measure to assist registered unemployed persons into legally regulated work in sectors experiencing labour shortages during their work, while guaranteeing a degree of social protection for these persons. In 2015 an amendment to the Labour Code in Bulgaria was introduced - Employment Contracts for Short-term Seasonal Agricultural Work.

An employment contract for short-term seasonal farm work may be signed between a worker and a registered farmer for one day's work. The employer and worker sign a separate contract for each day worked. For an individual worker, the number of contracts of this kind must not exceed more than 90 days in one calendar year.

The areas in which these types of employment contracts can be signed include the manual processing of plants and collecting the harvest of fruits, vegetables, roses and lavender.

The employment contract takes a special form and has pre-assigned clauses defined by the legislation. Employers who wish to hire a worker in this way must pay the taxes and social security contributions in advance.

Employers can access the necessary forms for this type of employment contract from the labour inspectorate by post or via the internet.

The advantage for workers is the fact that they can work on this type of labour contract without the need to end their registration as unemployed persons.

Evaluation: According to data from the National Statistical Institute, a significant increase in employed persons in the agricultural sector in the first half of 2016 was

recorded, after the introduction of this legislation, compared with the first half of 2015. In April 2016, for the first time since 2004, the number of employees in the agricultural sector exceeded 80 000.

The measure is popular among farmers because it allows the recruitment of workers for short-term agricultural activity during the short season. Workers can work legally, as their registration as unemployed is not affected despite short-time employment. For 2016 a total of 199 173 single employment contracts of this kind were used. Employers who wish to hire a worker in this way must pay the taxes and social security contributions in advance. The social contributions for a single employment contract amount to approximately to EUR 3.32 (BGN 6.5) per day, depending on what month of the year the work takes place.

Key conditions for success include the following:

- - The employer should be informed about the measure, how it works and how to access the forms for this type of employment contract.
- - Preparation of an online tool for the administration of the measure is crucial.

Source: <http://www.gli.government.bg/page.php?c=53&d=1953>

A further simplification to reduce non-compliance pursued in several Member States relates to **employee sharing or co-employment**.

The Geopa-Copa (2017) survey examines the use of employment contracts under the **co-employment** system in the agricultural sector. Co-employment is where the same worker, under a single employment relationship, can work for more than one employer. Clearly, this special type of employment contract allows greater flexibility in that sense that multiple employers may use freely – in agreement with each other and with no restrictions – the services of the same employee under a single employment relationship (here co-employment differs from having multiple part-time contracts, where there are at least two employment relationships in place and not just one). From a regulatory perspective, the co-employment system removes the duality of the employment relationship. As such, while there are still two parties to the employment relationship (employer and employee), the contract can have multiple individuals who are legally classified as employers. The Copa-Geopa (2017) survey find that co-employment is allowed in Cyprus, Finland, Hungary, Italy, Lithuania, Netherlands, Portugal and Sweden, but only in specific enterprise groups in Belgium and France, and that it is not allowed in Austria, the Czech Republic, Germany, Denmark, Spain and Portugal.

In **Hungary**, the 2012 Labour Code introduced a new employment relationship, namely **employee sharing** (*szabályai*) whereby several employers can employ one employee. The contract must state who pays the wages of the employee, and all employers have a common responsibility for the employee's rights. If the number of employers reduces to under two, the employment relationships ceases.

In **Finland**, joint employment, which is an employment contract between one employee and more than one employer, is useable for smaller farms and enterprises which are not able to employ full-time workers on their own, but still need permanent workforce. There are different variants of the joint employment model in Finland:

1. "One employer" model: two farms may constitute a so-called "employer ring" where one of the employers acts as a main employer, and therefore oversees all legal duties (withdrawing tax, social security fees and other social insurance fees). Both employers must take care of occupational health and safety aspects. The sharing of employment costs between employers is contractually agreed by the employers themselves.
2. "Two employers" model: in this case employers act independently one from the other in relation to the obligations they have towards the employee. Both pay wages and

social security fees independently. There is still need for agreement between employers e.g. to define annual leave, sick pay etc. during the employment.

3. "Organised employer" model: it is also possible for employers to form an enterprise, company or cooperative, which acts as a normal employer. In this case the new legal entity acts as a formal employer, overseeing all obligations, and the employee works for both farms who have constituted the new legal entity.

In **France**, meanwhile, there is also the possibility of "joint employment". The **employers' groups (EGs)**, principally developed in agriculture and rural areas, take care of recruitment, reporting formalities, the drawing up of employment contracts and workers' pay. The number of agricultural and rural EGs is steadily growing in metropolitan France. In 2014 there were over 3,800 of them, representing an increase of +17% since 2003. They represent over 22,000 full time equivalent employees. 75% of EGs employ fewer than 5 full-time equivalent (FTE) workers. Nevertheless, as numbers of EGs at department level are currently growing; they could grow to see 100/200 members for 50/100 employees on average, or up to 350 members and 1000 employees for the larger ones. There is also a type of EG specific to agriculture, the alternative service arrangement, which provides a replacement for the farm owner in the event of death, illness, maternity leave or trade union mandate. There is one per department. EGs were developed as a response to the needs of smallholders in agriculture. Therefore, in livestock farming regions, the contracts offered tend to be for an unlimited duration (i.e., permanent), to respond to the need for a regular supply of labour; in crop production, the contracts can be for a limited duration to respond to the need for labour periodically. Increasingly, EGs at administrative department level are making it possible to combine the needs of several types of production and offer employees longer fixed-term contracts or open-ended contracts. Finally, the employees of employers' groups are acquiring more and more experience, by working for the different companies they are made available to. This is all adding to their professional experience.

Joint employment in Italy is a specific aspect of the agriculture sector, which is very popular among employers' associations. They allow the formalities relating to staff management to be greatly simplified, producing economies of scale for agricultural companies that jointly hire trained staff. Decree-Law No 76/201323 – converted by Law No. 99/2013 – gave agricultural companies the option to jointly hire workers to carry out work at their companies. The employers are jointly liable for contractual, legal and social security obligations arising from the employment relationship. Furthermore, the Ministerial Decree of 27 March 2014 laid down the declaration procedures for this type of recruitment, as well as the individuals responsible for implementing them. Operationally speaking, the various companies must identify the role of the Single Contact Person, i.e. the person who reports the recruitment, processing, extension and termination declarations on jointly hired workers to the "Centre for Employment" through the so-called "Unilav-Congiunto" computerised tool.

A further tax simplification which could be applied in agriculture relates to the extending how the self-employed are treated in the collaborative economy to the agricultural sector. In Belgium, a standard 10% tax rate has been applied to service providers operating through a digital platform and earning less than €5,000 per year. In the UK, meanwhile, individuals earning less than £1,000 gross per annum from occasional work and property lets can retain the income without declaring it for tax purposes (Heyes and Newsome, 2017). These initiatives by tax administrations reduce undeclared work by simplifying the tax rules. This could be applied to 'farm diversification' commercial activities to make it simpler to conduct such commercial business in the declared economy.

6.2.2 Voluntary disclosure

Voluntary disclosure schemes address potentially non-compliant individuals to consider taking advantage of a voluntary disclosure option. They can be generic schemes or can

be more targeted campaigns such as targeted at the agricultural sector. These have largely been used by tax administrations. There is no reason why labour inspectorates could not widely use such an approach for those violating labour laws such as in the agricultural sector.

This would involve an enforcement authority offering a limited-time offer to farm holdings that if they put their affairs in order, they will not be subject to any penalties. Once this limited time-period comes to an end, they might be informed that any farm holdings detected being non-compliant will be subject to the full force of the law. This initiative could use notification letters to announce such a voluntary disclosure initiative. This offers farm enterprises that have been non-compliant a means of putting their affairs in order and becoming legitimate in a manner whereby they do not need to fear being penalised. It thus acts as a limited-time incentive to become legitimate.

6.2.3 Formalisation support to start-ups

Very few entrepreneurs with an idea for a new venture start up a fully legitimate business before trading. Instead, they often 'test trade' their new ventures fully or partially in the undeclared economy before fully formalising; they make a gradual transition to full legitimisation. Indeed, a recent study reveals that two-thirds of all enterprises are unregistered at start up in developed countries (Autio and Fu, 2015; Williams et al., 2017a). One preventative measure is therefore to provide formalisation support to new ventures to help them engage in the journey towards full legitimacy.

In the agricultural sector, this is most relevant to the development of farm diversification ventures such as those related to green or farm tourism. This could prevent entrepreneurs engaging in undeclared work at the outset of their operations.

6.2.4 Formalisation support and advice to established businesses

Besides encouraging legitimate business start-ups, established businesses can be helped to make the transition to the fully declared economy by offering bespoke formalization support and advice. The type of business advice and support required to formalise business ventures differs from that required by formal start-up or growth businesses (Caianello and Voltura, 2003; Copisarow, 2004; Copisarow and Barbour, 2004; Meldolesi and Ruvolo, 2003; Williams, 2005).

An example of a 'formalisation service' for established enterprises is **Street (UK)**, established in 2000 to offer loans, advice and business support to self-employed people and micro-enterprises wishing to undergo a transition to formalisation (www.street-uk.com). Their approach is to monitor progression of clients in each of the following twelve areas:

- Moving from part-time to full-time work;
- Moving from home to business premises;
- Keeping basic level records;
- Keeping higher-level accounts;
- Purchasing public liability and employer liability insurance;
- Hiring employees on a PAYE basis;
- Using a bank account for their business transactions and/or opening a separate business bank account;
- Obtaining the required licenses and permits to operate the business (e.g., health and safety inspection certificates, driver instructor license);
- Graduating off all non-work benefits;
- Graduating from majority cash revenues to majority invoiced revenues;
- Incurring formal business tax liability; and

- Becoming VAT registered.

Street (UK) attempts to ensure that in any 12-month period at least three steps are taken with each client, although the order in which they are taken is tailored to the specific business. This third sector small-scale community development finance initiative (CDFI) therefore provides loans, support and advice to help businesses make the transition from the undeclared to the declared economy. Again, such a CDFI could be pursued in the agriculture sector, especially in the realm of farm diversification enterprises.

6.2.5 Direct tax and social security incentives

A popular assumption is that the most basic way to tackle the undeclared economy is to reduce overall tax rates. However, a more nuanced approach is required for two reasons. Firstly, there is no conclusive evidence that lowering overall tax rates reduces the size of the undeclared economy. Indeed, undeclared work is generally higher in countries with lower tax rates, largely because such Member States have a lower trust in government (Bird and Zolt, 2008; Vanderseyen et al., 2013; Williams, 2013, 2014a,b; Williams and Horodnic, 2017). Secondly, the problem with using general tax reforms to tackle undeclared work is that they have broader impacts. For this reason, targeted measures are often developed.

In **Italy** in 2006, the government implemented in accordance with decree law no. 296 of 27 December 2006, subsections 1192 to 1201, a **regularisation initiative** for employers. Employers applying for regularisation to the National Social Security Institute (*Istituto Nazionale per la Previdenza Sociale, Inps*) were exempt for one year (from the date when the application was submitted) from inspections and controls regarding their compliance with the regulations on social security and insurance payments. The exemption did not apply to compliance with workplace health and safety regulations (art. 11 of law no. 123, 3 August 2007). Employers first came to an agreement with the unions on a local level. One of the obligations in these agreements is that they guarantee employment for at least two years to regularised workers. Applications to this scheme were examined by a board comprising the provincial labour directorate, the social security office and workplace accident authorities. After one year, some 10,000 workers were regularised by means of these 'regularization' contracts (Williams, 2014a).

Box 8 provides an example from the Puglia region in Italy of how incentives can be offered to agricultural holdings to reduce undeclared work.

Box 8 The 'booking list' and 'quota system' in agriculture in Puglia, Italy

Aim: to provide financial incentives to agricultural holdings using a 'booking list' to hire workers and introduce a 'quota system' of the number of workers required, so as to combat irregular work and illegal recruitment

Description: The agricultural sector has high numbers of irregular workers and irregular recruitment practices, such as the 'caporalato', in which farm labourers – often illegal immigrants – are hired for very low wages. This behaviour (once regulated by a law which was repealed in 2003) was re-criminalised by Decree 138/2011 (IT1110019I) in September 2011. In 2006 the Puglia region brought in its own legislation to try to combat irregular work and illegal recruitment (L.R. n.28/2006). Companies in Puglia had to apply national collective agreements for their workers to obtain European funds. The measures, following a union initiative, were adopted after demonstrations and strikes by foreign workers in summer 2011.

A booking list was to be created at every provincial employment office. Any workers hired and re-hired by regional agricultural enterprises would register on this. The region was also to introduce incentives for companies taking on registered workers and offer employment guarantees. Employers were to receive €200 for each worker

they hire, up to maximum of €5,000. A budget of €700,000 was set aside by the region. A negotiating body, based at the Regional Council Offices for Employment and including the social partners, was to be set up to handle the technical aspects of managing lists and organising other administrative tasks of the initiative.

A quota system, or index, was to be used to establish the number of workers necessary for a job, according to the type of crop and the number of hectares cultivated. By comparing the number of workers anticipated by the index and the number declared by the company for social security purposes, officials could identify possible cases of irregular work. The agricultural enterprises were allowed a variation of between 10% – 15% from the index, depending on the size of the enterprise. Only companies that conform to the index will have the right to claim EU, national or regional funding. Social partners will participate in a commission to oversee the new system.

Evaluation: No known evaluation was conducted. Indeed, this regional initiative eventually failed because employers' associations boycotted it at a local level. In major part due to this, Law 199/2016 was introduced to tackle gangmasters nationally and which incorporates many elements of this regional initiative but at a national level (see, for example, Box 9 below).

Source:

<https://www.eurofound.europa.eu/observatories/eurwork/articles/industrialrelations/new-measures-to-tackle-undeclared-work-in-agriculture>

Tax and social security incentives to exit the undeclared economy, however, do not always have to be state-led. Social partners can also lead on such initiatives. An example of where social partners have taken the lead in providing social security incentives is the **Builders Social House (Casa Socială a Constructorilor, CSC)** scheme in Romania. 'The Construction Sector Social Agreement for 2007-2009' (*Acordul Social Sectorial Pentru Construcții 2007-2009*) by the main sectoral social partners in Romania, namely ARACO (employer's association) and FGS_FAMILIA (trade union), estimated that some one-third of the active workforce operates in the undeclared economy. The CSC incentivises declared work. It 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 in equal measure. It provides welfare payments during the cold season (1 November - 31 March), when the construction sector is inactive, to workers in registered declared employment, and in doing so provides an incentive for workers to operate on a declared basis. CSC members are construction companies and manufacturers of building materials. Entitlement to welfare payments during these winter months is only available to declared employees, that is, those with employment contracts recorded with the local labour inspectorates, and whose social security contributions due by both the employer and employee have been paid. Corporate contributors pay 1.5% of their turnover into the CSC scheme, and employees contribute 1% of their gross base salary. Allowances represent an amount equal to 75% of the average gross salary for the last three months of the worker and can be granted for up to 90 calendar days. In 2008, CSC had 573-member organisations accounting for 40% of all declared employment in the construction and building materials industries. From 1998 to 2015, more than 412,286 employees of the member companies benefited from social protection with a total amount of 296.55 million RON (c. €65 million).

This is potentially transferable both to **agriculture and forestry**, where work is also seasonal, and transferable to other countries. Importantly moreover, it shows what can be achieved by employer and employee representative organisations working together, and without reliance on governments, so far as implementing preventative measures to tackle undeclared work is concerned.

6.2.6 Help with record-keeping

A further incentive for agricultural holdings, and especially those pursuing farm diversification enterprises, is to provide help with record keeping. Indeed, Alm (2011) investigates the effects on the level of compliance of the provision of services that allow taxpayers to calculate their tax liabilities. The results indicate that uncertainty over expected liabilities reduces both the level of filing as well as the degree of compliance. The clear lesson, therefore, is that reducing uncertainty on tax liabilities by providing a service to enable businesses to calculate their liabilities reduces non-compliance. Providing free software to agricultural holdings to keep records is one option. Providing on-line training courses on how to keep records is another option. These courses could also be marketed at, and tailored to, agricultural holdings to make them more relevant.

6.2.7 'White lists'

The use of black lists is often used to 'name and shame' business that are non-compliant. There is some evidence that businesses that are named and shamed are more likely to re-offend unless there is the provision of help with rehabilitation (see Williams, 2017).

An alternative approach is to produce a 'white list' of compliant businesses, and to offer incentives for those on this 'white list'. A '**white**' registry of compliant business is therefore one way forward in the agriculture sector. Introducing such a registry would provide an incentive for businesses to operate legitimately. One option in this regard is to introduce business certification schemes and payment certification of tax and social contributions to create a 'white list' of compliant businesses, which a business needs to be listed on to tender for public procurement contracts. An exemplar of such an approach is to be found in the agriculture sector in Italy (see Box 9).

Box 9. Quality Agricultural Work Network (*rete del lavoro agricolo di qualità*), Italy

Aims: To tackle undeclared work and exploitative labour in agriculture and to realign wages in the agricultural sector. Its specific objectives are to:

- 'Whitelist' the enterprises based on their degree of compliance to the rules (fiscal law, labour law, social security provisions, among others);
- Improve firms' compliance with labour law, collective agreements, social security and income rules; and
- Better target inspections in the sector.

Description: The Quality Agricultural Work Network whitelists companies operating in the agriculture and fishing sector that fulfil their statutory obligations, to better target labour inspections and encourage virtuous behaviour among companies in the sector. The initiative was started in June 2016 (Law 199/2016). Agricultural enterprises are categorised based on their compliance with labour and social legislation, as well as income tax and value added tax. According to the law, firms which "have not been convicted for violations of labour law and social legislation, for crimes against public administration, crimes against public safety, crimes against the public economy, industry and commerce, crimes against sentiment for animals, with regard to income tax and value added tax [...]" may join the network (<https://www.inps.it/nuovoportaleinps/default.aspx?itemdir=46316>). Inspections are carried out mostly on firms not included in the network.

It is managed by the Steering Board "Cabina di Regia", chaired by the Social Security Institute (INPS) and includes representatives of the Ministry of Labour, Ministry of Agricultural and Forestry Policy, Ministry of Economy, Labour Inspectorate, National Tax Agency, Committee of Autonomous Regions and Provinces, Confederation of Agriculture, trade unions and other agricultural workers' organisations.

Evaluation: Just 3,500 of the c. 1.5 million agricultural companies in Italy have registered (<https://www.inps.it/nuovoportaleinps/default.aspx?itemdir=50213>). In part, this has been argued to be because even minor administrative sanctions (perhaps paid because it was less expensive than contesting them) exclude companies from joining. A complete overview of the outcomes of the Quality Agricultural Work Network is not yet available. However, the Steering Board is mandated to produce a regular monitoring report. Data for evaluating the impact of the Network is expected in mid-to-late 2018.

A similar 'white list' initiative is a social label initiative in **Belgium**. The mushroom growing sector was experiencing difficulties due to low prices. Together with social partners, a plan for the sector's future was put in place. Employers who sign up (i.e., they must sign a declaration each year) to respect Belgium's social legislation and not to resort to systems involving posting abuses and bogus self-employment, and who agreed to keep the number of permanent workers at 2011 levels, could use seasonal workers for up to 100 days per seasonal worker per year instead of 65 days. The social partners have been responsible for drawing up the list of companies eligible to make use of this expanded regime. The Minister for Social Affairs approves the list and the list is then sent to the administration. The social label system has increased the number of companies in the mushroom growing sector.

In the **Netherlands**, again in the mushroom sector, the foundation **Fair Produce** established since 2011 by the social partner, LTO Nederland, certifies companies pursuing fair working conditions that meet the legal and extra requirements established by social partners in the Dutch mushroom supply chain. Fair Produce therefore stimulates good employment practices in the mushroom supply chain. Companies are certified if they pay wages according to the Dutch law and regulations, the maximum amounts withheld for accommodation, and - if temporary employment agencies are involved - the obligation that only NEN 4400 certified agencies are considered qualified. During the audit, employees are extensively interviewed, and if necessary with the help of an interpreter. If the audits meet the required standards of Fair Produce the company receives the Fair Produce label for a certain period. With the help of the Fair Produce label, the working conditions in the Dutch mushroom supply chain have very much improved.

6.3 Demand-side incentives

Besides making it easier and/or beneficial for suppliers of undeclared work in the agricultural sector to operate in the declared economy, it can also be made easier and/or beneficial for those purchasing on an undeclared basis to use the declared economy. These demand-side measures include: service vouchers; targeted direct tax measures and wage costs subsidies, as well as discouraging cash payments and incentivising electronic payments.

6.3.1 Service vouchers

As a previous Platform report reveals, service vouchers have been applied to the agricultural sector, but with variable success (Williams, 2018). In **Italy**, *Buoni lavoro* (labour vouchers) were created in 2003, in the context of a larger labour market reform law (known as the "Biagi Law"), with the aim of promoting inclusion in the labour market and tackling undeclared work. Article 4 of the Biagi Law provided for the implementation of vouchers aimed at **regulating occasional and accessory labour**.

Instead of using this scheme to employ workers on an occasional basis, over time, Italian employers began to make regular use of it. Indeed, voucher usage increased from around a half million vouchers in 2008, 1.5 million in 2011, to 115 million in 2015. According to a study by the Italian Labour Union, more than 1.7 million workers received some form of voucher payment in 2015. This represents 8% of all working Italians

(<http://www.cnbc.com/2016/03/11/reuters-america-italy-pushes-labor-flexibility-to-limit-with-job-vouchers.html>).

Following a campaign by the Italian Confederation of Labour (CGIL), the government issued a decree on 17 March 2017 **imposing a total ban on the scheme** with a transitional period until the end of the year.

In June 2017, the Italian Parliament introduced new provisions governing voucher-based work. Vouchers now cover only **occasional work**. **Agricultural employers** with no more than 5 workers can use vouchers for occasional work but only with specific categories of workers (i.e., **students under 25 years old retirees; unemployed people; beneficiaries of income support**). New income limits for each worker have been also introduced (€5,000 annually from all their employers and no more than €2,500 annually from any one employer) and each employer can pay no more than €5,000 annually to the totality of their workers. Unlike the previous system, workers' rights are now better guaranteed with: insurance against accidents at work; social security contributions; a rest break for working day longer than six hours; minimum daily rest period; maximum weekly working time; and a minimum wage (€9 for occasional work). If the employer exceeds the payment limit of €2,500, the employment must be converted into an open-ended full-time contract, and there are administrative fines from €500 to €2,500 for each daily work violation (De Camillis, 2018).

In **Croatia**, akin to Italy, to reduce undeclared work in agriculture, the government introduced a voucher scheme in 2012 for seasonal and occasional work in this sector (Croatian Official Gazette, 2012). This is targeted at agricultural employers as purchasers with the objective of reducing undeclared work in seasonal and occasional work in agriculture.

This scheme entitles the unemployed and pensioners to work up to 90 days per year on various jobs in agriculture. Workers' rights are at times attached to voucher work. The workday can be no longer than 12 hours and the worker is entitled to a minimum 30-minute break in each workday, if the work is more than 6 hours per day, and an uninterrupted daily rest period of not less than 12 consecutive hours in each 24-hour period, and an uninterrupted weekly rest period of not less than 24 consecutive hours in each seven-day period. A minimum daily wage paid by an employer to a seasonal worker who performs temporary or casual work in agriculture in 2018 may not be lower than 83.19 KN (€11.24). The price of a voucher also entails social contributions, since the value of the daily voucher includes pension insurance contributions, health and safety at work contributions and employment contributions in 2018 of 23.74 KN (€3.20).

Unlike voucher systems in other Member States, in this case no public subvention on the labour cost is provided. In 2012, a total of 325,295 vouchers were sold to 3,363 legal entities (large employers 27.3%, small and medium employers 72.7%), of which 98.6% were for work in the field of crop production, 1% fisheries and 0.4% animal husbandry. By 2016, a total of 406,595 vouchers were sold to 2,059 legal entities (large employers 25.3%, small and medium employers 74.7%), of which 90.8% were for work in the field of crop production, 6.5% fisheries and 2.7% animal husbandry.

Markota (2018) reports that the perceived outcome was a drop in undeclared work in agriculture, measured by the reduction in the number of complaints received by those working in this sector. Williams et al (2017b), nevertheless, report that stakeholder interviews suggest that the reduction in the use of seasonal vouchers in the past couple of years is due to a shift of such work back into the undeclared economy. This is due to a low-perceived risk of being caught since the agricultural high-season coincides with the tourist season where labour inspections are primarily aimed.

In **Greece**, in May 2016, the Ministry of Agriculture introduced a voucher system in agriculture for farmers who wished to employ migrants who do not have a residence permit. The intention was to regularise irregular immigrants working in agriculture on

an undeclared basis and to tackle trafficking. This asked each region to specify the number of workers that it wishes to employ on such a basis and they can employ them for a period of six months. They provide the identity of the workers, and forward this to the police authorities. It gives these irregular migrants rights that they did not previously possess, and cuts out the intermediaries since they are registered, and provides them with access to rights to complain about the employers. This can be renewed after six months if they have worked for over 75 days. It is paid at €30 per day with 10% deducted for social insurance, meaning €27 per day pay. This voucher price is the same as for EU nationals. The agricultural pension organisation, OGA, estimates that it loses €40 million per annum due to unregistered workers and this is one solution to undeclared work.

If vouchers are used in agriculture, the conclusion is that they should: only be used to pay for occasional labour and if they protect workers' rights. They should set a limit on the number of service vouchers an employer can purchase, not on the level of income of a service voucher worker; allow users to acquire and submit vouchers online; the price of a service voucher should be the minimum price an employer pays for one hour's work; be based on prior research to decide the price of service voucher for a user (and level of subsidy required), so that they are competitively priced compared with using undeclared work; and enable workers to gain access to key social security benefits comparable to those held by people employed, and cover unemployment benefits, accident insurance, pension benefits, sickness benefits, maternity leave and health benefits, and ex-ante and ex-post evaluations should be conducted of the extent to which service vouchers reduce undeclared work, and whether they substitute for permanent formal employment contracts (Williams, 2018).

6.3.2 Incentivising electronic payment systems and deterring cash payments

Undeclared transactions are often, although not always, paid in cash. Deterring cash payments and incentivising electronic payments is therefore another demand-side preventative measure. To transfer from cash to electronic payments, Member States can:

1. Introduce a ceiling for cash transactions;
2. Make point-of-sale (POS) terminals available across all sectors, including farm shops. Introducing them can reduce the use of cash;
3. For governments to shift more fully towards electronic payments;
4. Discourage easy access to cash. The presence of no-fee automated teller machines (ATMs) provides uninhibited access to cash and subsequent cash payment at the point-of-sale;
5. Move towards the electronic payment of all wages, and
6. Provide incentives for using cards at the point-of-sale. Many day-to-day transactions, especially those worth less than €15, remain cash-based. Developing incentives for individuals to use cards is a way forward. Argentina for example, offers a 5% VAT discount on debit card transactions and 3% on credit card purchases.

An example is that since 1st October 2016 following legislation, the payment of wages in cash in the meat industry in Belgium has been prohibited. A cashless payment system must be used to pay wages (European Platform, 2017). This could be extended to the agricultural sector more widely. In addition, so could the other proposals above.

6.4 Awareness raising

Until now, all the policy measures discussed seek to deter undeclared work in the agricultural sector or to make it easier to engage in, and increase the benefits of, declared work. However, participation in undeclared work is not always solely a rational economic decision. Non-compliance often results from either a lack trust in the state and/or not understanding or believing in what the state is seeking to achieve (i.e., a

lack 'vertical' trust), or a belief that many others are operating on an undeclared basis, so they see no reason to operate on a declared basis themselves (i.e., there is a lack of 'horizontal' trust).

To tackle undeclared work, the root causes that lead to the values, norms and beliefs of those involved in the agricultural sector not being aligned with the laws and regulations, need to be tackled. This is what awareness raising seeks to achieve. Many do not fully understand why they should comply and/or what taxes are used for by governments; they do not fully make the connection between the public goods and services they receive (e.g., hospitals, schools, rural transport infrastructure) and the taxes they pay. Until now, governments have generally undertaken very little marketing to help citizens make this connection. However, if the norms, values and beliefs of those involved in agriculture are to become better aligned with the codified laws and regulations of formal institutions and voluntary co-operation is to ensue, educating them about this is important.

The advantage of pursuing voluntary co-operation, rather than enforced compliance, across the agricultural sector is that this is a potentially far cheaper, more effective and sustainable means of tackling violations of tax, social security and labour law related to undeclared work than using inspections to detect non-compliant behaviour and incentives to effectively 'bribe' those in the agricultural sector to operate on a declared basis. To achieve such voluntary co-operation, awareness raising campaigns can be pursued to alter the values, norms and beliefs, and therefore behaviours, of those involved in the agricultural sector.

Until now, few awareness raising campaigns regarding undeclared work have been targeted at the agriculture, forestry and fishing sector. A recent report for the Platform on a preventative approach towards undeclared work has dealt with this broader issue of awareness raising in some depth (Williams, 2018). There is therefore no need to rehearse again the issues involved.

What is important to state here is that awareness raising campaigns can be pursued which target either those involved in the agricultural sector in general or groups in the supply chain (e.g., seasonal workers, agricultural holdings, food manufacturers and retailers, or end consumers). **Social partners have a key role to play in leading such awareness raising campaigns to tackle undeclared work in the agricultural sector.**

Indeed, this is recognised by the social partners in the agricultural sector. In the Plenary Meeting of the Sectoral Social Dialogue Committee for Agriculture of 7th of November 2017, GEOPA - COPA and EFFAT agreed that:

"The social partners have a central role of direct sensitization of those that they represent but also to sensitize the public in order to promote compliance with the rules and regular work through public information campaigns, promotion of social labels, etc.;"

Box 9 reports an example of an awareness raising campaign in agriculture in FYR Macedonia.

Box 9. Awareness raising campaign in agriculture, FYR Macedonia

Aim: The government and social partners in the Former Yugoslav Republic of Macedonia, supported by the ILO, set up and implemented an awareness-raising campaign. The aim was to increase awareness of the costs of undeclared work and advantages of formalising within the agricultural (and construction) sectors. The target audiences were employers and workers, particularly those in SMEs.

Description: Supported by the ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe, trade unions, employers and

government institutions selected themes for a campaign and the sectors. Use was made of posters, leaflets and booklets both printed and online to depict the negatives of undeclared work and positives of being fully declared. Three different posters and leaflets were developed for agriculture (undeclared work, pesticides and agricultural machinery), four for construction (roof works, scaffolding, excavation and use of personal protective equipment) and four for gender (gender discrimination, sexual harassment, maternity protection and gender equality plans).

Inspection visits accompanied the campaigns to ensure further success. Labour inspectors were provided with management tools and checklists to support their inspection visits. The campaign was highly publicised using the mass media. It was launched by a high-level workshop with the participation of Ministers as well as employers' and workers' organisations and received good media coverage.

Evaluation: No known evaluation has been conducted.

Source: <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/awareness-campaigns-in-agriculture-and-construction-formerlyugoslav-republic-of-macedonia>

6.5 Changing the formal institutions

Besides awareness raising campaigns to align the norms, values and beliefs of those engaged in agriculture with the formal rules, policy can also seek to modernise the formal institutions. This is important when there is a lack of trust in state institutions, such as due to public sector corruption, when the population do not believe that they receive back from government what they expect, or when formal institutional voids and weaknesses reduce the benefits of formalisation so much that the actual and perceived benefits of formalisation are outweighed by the costs.

Two changes are required. On the one hand, the internal *processes* in the formal institutions need modernising to improve the perception of the population that there is procedural and redistributive justice and fairness. On the other hand, there is often a need to change the *products* of formal institutions by pursuing wider economic and social developments.

6.5.1 Modernising governance

When those involved in the agricultural sector do not adhere to the formal rules, this is a manifestation of the breakdown in the social contract between government and those involved in agriculture, and a low level of trust in government. Modernising governance to build trust is one way forward. To do so, three institutional reforms are required:

- **Procedural justice** must be improved, which here refers to the authorities treating those involved in agriculture in a respectful, impartial and responsible manner and thus shifting away from an enforcement approach and towards a customer service-oriented approach;
- **Procedural fairness** must be enhanced, which refers to those involved in agriculture believing that they pay their fair share compared with others; and
- **Redistributive justice** needs improving, which relates to whether those involved in the agricultural sector believe that they receive the goods and services they deserve given the taxes they pay.

6.5.2 Wider economic and social developments

To tackle undeclared work in the agricultural sector, wider economic and social conditions need to be addressed. Based on previous research on the determinants of the prevalence of undeclared work (Vanderseyen *et al.*, 2013; Williams, 2013, 2014a,b,c,d, 2015, 2017; Williams *et al.*, 2013; Williams and Horodnic, 2016, 2017b), the finding is that undeclared work is higher in Member States with:

- Lower GDP/capita in personal purchasing power standards;
- Lower quality governance, including greater public sector corruption;
- Higher income inequality;
- Higher levels of severe material deprivation;
- Lower levels of expenditure on active labour market policies to help vulnerable groups; and
- Less effective policies of redistribution via social transfers to protect workers from poverty.

6.6 Towards a holistic policy approach

Until now, individual policy measures that could be pursued have been discussed. However, there is no one 'magic golden bullet' which will tackle undeclared work in the agricultural sector. Rather, the emerging view is that there is a need to use the full toolkit of policy measures available. A **holistic approach** needs to be adopted, where national governments use a whole government approach to tackle undeclared work, by joining-up on the level of both strategy and operations the policy fields of labour, tax and social security law, and involve and cooperate with social partners and other stakeholders. This approach involves using the full range of *direct* and *indirect* policy measures available to enhance the power of, and trust in, authorities respectively. The objective is to transform undeclared work into declared work in an effective manner. How, therefore, could this be applied to the agricultural sector?

The **full policy operationalisation model**, often referred to as the slippery slope framework, is a model for implementing the holistic approach that combines the range of policy approaches and measures available and uses all measures concurrently. This approach asserts that the most effective approach is to concurrently implement the direct measures (e.g., workplace inspections) identified above to enhance the power of authorities as well as the indirect measures (e.g., awareness raising) discussed to enhance trust in authorities. This recognises that a high trust high power approach is the most effective in tackling undeclared work.¹⁴

A current initiative seeking to explore how this might be achieved is RAISE UP, funded by the European Union Programme for Employment and Social Innovation ("EaSI" – Progress Axis) 2014-2020 - VP/2017/005/

(see

<http://ec.europa.eu/social/main.jsp?catId=629&langId=en&callId=509&furtherCalls=yes>).

This initiative, coordinated by the FLAI CGIL (Federazione Lavoratori dell'Agroindustria, Agro-Food Industry Workers Federation), involves 12 organisations (5 co-applicants, 1 affiliate and 6 associates) from 5 countries (Italy, Bulgaria, FYR Macedonia, Romania, and Serbia).

The RAISE UP consortium has identified 5 specific objectives:

1. To define and build a shared understanding of a holistic approach in prevention and deterrence of undeclared work by debating, collecting and evaluating good practice across the consortium and beyond; developing and making openly available case studies, guidelines demonstrating how they can be transferred to another context, and online training events and material;
2. Establish a policy dialogue to leverage existing holistic and/or integrated policy measures, such as the network of quality agricultural work ('rete del lavoro agricolo di qualità') and integrated controls, design better policies and holistic

¹⁴ Prinz, A, S. Muehlbacher, E. Kirchler (2014), The slippery slope framework on tax compliance: An attempt to formalization, *Journal of Economic Psychology*, 40: 20-34.

measures to tackle undeclared work and enable mutual learning among RAISE UP project members, their strategic partners and networks and their wider communities regarding best practices and bottlenecks in prevention and deterrence of undeclared work, learning about how practices could be improved through internal and stakeholders' evaluation, providing a stronger evidence base;

3. To design evidence-based concrete master plans and roadmaps for future actions based on multi stakeholder inputs ensuring strong and efficient coordination and administrative cooperation between government enforcement agencies, labour inspectorates and the social partners, and other key actors, increased balance between enforcement and develop joint activities and transnational cooperation at policy and operational level mentoring new practices and upgrading already established practices through a Community of Practice (CoP);
4. To stimulate dialogue and help develop and leverage policy at international, national and institutional levels, increased mutual trust among stakeholders and facilitate collaboration with other stakeholders and initiatives at regional, national and European level to advance the uptake of effective measures tackling undeclared work and facilitating the transition from undeclared work to formal work;
5. To build partnerships and engage stakeholders including the media, relevant networks, and policy makers with the activities and results of RAISE UP from the outset, obtaining feedback from them and stimulating transnational exchange and disseminate the activities and results of the RAISE UP project and the European Platform Tackling Undeclared Work activities through the maintenance of the public web portal.

A detailed evaluation of the RaiseUp initiative is required to assess the feasibility and challenges of pursuing a holistic approach towards tackling undeclared work in the agricultural sector. It would be particularly useful to conduct an ex-post evaluation of the barriers to the implementation of the holistic approach so that lessons can be learned for future initiatives both in the agriculture sector and beyond.

Tackling undeclared work in the agricultural sector: policy recommendations

- ✓ Increasing the penalties has little impact.
- ✓ Workplace inspections are less effective in the agricultural sector.
- ✓ The use of notification letters based upon data mining of risky agricultural enterprises is one partial solution, and Member States should conduct pilot studies with various types in the agricultural sector.
- ✓ Introducing a written contract (by the first day of work) is necessary if undeclared work is to be tackled in the agricultural sector.
- ✓ Simplifying compliance is also necessary, including: joined-up employment registration procedures; joint inspections; simplifying regulations for seasonal labour contracts and odd jobs, and enabling employee sharing or co-employment initiatives.
- ✓ Service vouchers for seasonal workers are also a potentially useful tool.
- ✓ 'White lists' should be used, an exemplar being the Quality Agricultural Work Network (*rete del lavoro agricolo di qualità*) in Italy.
- ✓ Supply-chain due diligence based on joint and several liability in subcontracting chains is required
- ✓ This needs to be coupled with awareness raising campaigns about the benefits of declared work and costs of undeclared work in agriculture which target either those involved in the agricultural sector in general, or particular groups in the supply chain (e.g., seasonal workers, agricultural holdings, food manufacturers and retailers, or end consumers).
- ✓ This needs to be coupled with a modernisation of state authorities and improvements in the economic and social conditions that lead to undeclared work.
- ✓ A detailed evaluation of the RaiseUp initiative is required to assess the feasibility and challenges of pursuing a holistic approach towards tackling undeclared work in the agricultural sector.

7. CONCLUSIONS AND RECOMMENDATIONS

Undeclared work is more prevalent in the agricultural, forestry and fishing sector than in other sectors of the EU economy. There is therefore a strong rationale for an emphasis to be put upon this sector when seeking to tackle undeclared work.

The Report has made recommendations for tackling undeclared work in the agriculture sector that can be divided according to recommendations for Member State enforcement authorities, social partners and the European Platform Tackling Undeclared Work.

Enforcement authorities

Reviewing the range of policy measures available, the following conclusions are reached:

- Given that workplace inspections are less effective in the agricultural sector, greater attention should be paid to using **notification letters** based upon data mining to identify risky agricultural holdings, and Member State enforcement authorities should conduct pilot studies with various types of notification letter in the agricultural sector and consider the criteria for assessing what is a risky agricultural holding.
- Introducing a **written contract (by the first day of work)** is necessary if undeclared work is to be tackled in the agricultural sector.
- **Simplifying compliance** is also necessary, including:
 - joined-up employment registration procedures;
 - joint inspections;
 - simplifying regulations for seasonal labour contracts and odd jobs, and
 - enabling the development of employee sharing or co-employment initiatives.
- **Service vouchers** for seasonal workers are also a potentially useful tool. Pilot studies of vouchers schemes in the agriculture sector in Member States would be a useful way forward.
- **'White lists'** should be used, as exemplified by the Quality Agricultural Work Network (*rete del lavoro agricolo di qualità*) in Italy.
- **Supply-chain due diligence** based on joint and several liability in subcontracting chains is a useful practice for transforming undeclared work into declared work.
- These need to be coupled with a **modernisation of state authorities** and improvements in the economic and social conditions that lead to undeclared work.

Social partners

- **Education and awareness raising campaigns** about the benefits of declared work and costs of undeclared work in agriculture should be developed which target either those involved in the agricultural sector in general or groups in the supply chain (e.g., seasonal workers, agricultural holdings, food manufacturers and retailers, end consumers). These can be conducted either independently or in cooperation with state authorities.

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9. APPENDIX 1

Methodological details

In the report, three main databases are used:

1) European Union Labour Force Survey

The European Union Labour Force Survey (EU LFS) is conducted in the 28 Member States of the European Union. The EU LFS is a large household sample survey providing quarterly results on labour participation of people aged 15 and over as well as on persons outside the labour force. All definitions apply to persons aged 15 years and over living in private households. Persons carrying out obligatory military or community service are not included in the target group of the survey, as is also the case for persons in institutions/collective households.

The data collection covers the years from 1983 onwards. In general, data for individual countries are available depending on their accession date. The Labour Force Surveys are conducted by the national statistical institutes across Europe and are centrally processed by Eurostat. The national statistical institutes are responsible for selecting the sample, preparing the questionnaires, conducting the direct interviews among households, and forwarding the results to Eurostat. Thus, it is possible to make available harmonised data at European level

- using the same concepts and definitions
- following International Labour Organisation guidelines
- using common classifications (NACE, ISCO, ISCED, NUTS)
- recording the same set of characteristics in each country.

In 2016, the quarterly LFS sample size across the EU was about 1.5 million individuals. The EU-LFS covers all industries and occupations.

In this report, the analysis was carried out based on the NACE Rev. 2 classification of sectors and ISCO-08 classification of occupations.

According to the statistical classification of economic activities in the European Community (NACE Rev. 2), category A named 'agriculture, forestry and fishing' includes "the exploitation of vegetal and animal natural resources, comprising the activities of growing of crops, raising and breeding of animals, harvesting of timber and other plants, animals or animal products from a farm or their natural habitats".

The occupational groups mentioned in the report are based on the ISCO-08 categories. The group 6, namely Skilled Agricultural, Forestry and Fishery Workers category, is here used.

2) European Working Conditions Survey, 2015

The European Working Conditions Survey (EWCS) is conducted in the 28 member states of the European Union (EU28). The sample in the EWCS is representative of those aged 15 and over (16 and over in Bulgaria, Norway, Spain and the UK) living in private households and in employment who did at least one hour of work for pay or profit during the week preceding the interview. The sample in each country is stratified by region (NUTS 2 or equivalent) and the degree of urbanisation. The sixth edition of the EWCS conducted in 2015 interviewed 35,765 in the 28 EU Member States.

In this report, and like the EU-LFS, the EWCS analysis of the agriculture sector was carried out using the same NACE Rev. 2 sector of 'agriculture, forestry and fishing' and the ISCO-08 occupational category 6 classification of 'skilled agricultural, forestry and fishery workers'.

3) Special Eurobarometer 284 on undeclared work, 2007

Special Eurobarometer No. 284 (*Undeclared work in the European Union*) was conducted as part of wave 67.3 of the 2007 Eurobarometer survey. Similar to other Eurobarometer surveys, this used a multi-stage random (probability) sampling method in every member state. 26,659 participants were surveyed.

This survey asked respondents to name in which of the following sectors of activity they were currently working:

- 1 Construction
- 2 Industry
- 3 Household services (incl. gardening, child and elderly care)
- 4 Transport
- 5 Personal services
- 6 Retail
- 7 Repair services
- 8 Hotel, restaurant, cafes
- 9 Agriculture
- 10 Refusal (SPONTANEOUS)
- 11 Other (SPONTANEOUS)

10. APPENDIX 2

Data sources of the structural conditions

Table A1. Macro indicators used and description

Indicator/ Year	Description
Trust in public authorities (2015)	<p>Percent of population tending to trust public authorities.</p> <p>Composite index comprising:</p> <ul style="list-style-type: none"> • Regional or local public authorities • The Government • The Parliament • Justice/ the legal system • The police <p>Own calculations based on Standard Eurobarometer 83 (2015).</p> <p><i>Available at:</i></p> <p>http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2099</p>
Government Effectiveness (2015)	<p>Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.</p> <p><i>Available at:</i></p> <p>http://info.worldbank.org/governance/wgi/#home</p>
Wastefulness of government spending (2013)	<p>Represents the citizens' perception on public spending measured as:</p> <p>How would you rate the composition of public spending in your country? [1 = extremely wasteful; 7 = highly efficient in providing necessary goods and services]</p> <p><i>Available at:</i></p> <p>http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf</p>
European Quality of Government Index/ 2013	<p>The European Quality of Government Index (EQI) is the result novel survey data on corruption and governance at the regional level within the EU, conducted in first in 2010 and then again in 2013. The data focus on both perceptions and experiences with public sector corruption, along with the extent to which citizens believe various public sector services are impartially allocated and of good quality. The data is standardized with a mean of zero, and higher scores implying higher quality of government.</p> <p><i>Available at:</i></p> <p>https://nicholascharron.wordpress.com/european-quality-of-government-index-eqi/</p>
Regulatory Quality (2015)	<p>Reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.</p> <p><i>Available at:</i></p> <p>http://info.worldbank.org/governance/wgi/#home</p>
Rule of Law (2015)	<p>Reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.</p> <p><i>Available at:</i></p> <p>http://info.worldbank.org/governance/wgi/#home</p>

Transparency International's Corruption Perceptions Index (2015)	<p>The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 - 100, where 0 means that a country is perceived as highly corrupt and 100 means it is perceived as very clean. A country's rank indicates its position relative to the other countries and territories included in the index.</p> <p><i>Available at:</i></p> <p>https://www.transparency.org/cpi2015</p>
Favouritism in decisions by government officials (2015)	<p>Represents the citizens' perception on decisions made by the government officials, measured as:</p> <p>To what extent do government officials in your country show favoritism to well-connected firms and individuals when deciding upon policies and contracts? [1 = always show favoritism; 7 = never show favoritism]</p> <p><i>Available at:</i></p> <p>http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf</p>
GDP per capita in purchasing power standards (2015)	<p>Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU28) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Please note that the index, calculated from PPS figures and expressed with respect to EU28 = 100, is intended for cross-country comparisons rather than for temporal comparisons.</p> <p><i>Available at:</i></p> <p>http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114</p>
Public expenditure on labour market interventions aimed at correcting disequilibria as a % of GDP	<p><i>Labour market policy expenditure (% of GDP)</i></p> <p>Labour market policy (LMP) interventions cover the range of financial and practical supports offered by governments to people who are unemployed or otherwise disadvantaged in the labour market.</p> <p><i>Available at:</i></p> <p>http://ec.europa.eu/eurostat/cache/metadata/en/lmp_esms.htm</p>
Impact of social transfers on poverty reduction (2015)	<p>The impact of social transfers on reducing poverty, with poverty defined as the proportion of people with an income below 60 percent of the national median income.</p> <p><i>Available at:</i></p> <p>http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8030&furtherPubs=yes</p>
Severe material deprivation (2015)	<p>Measured by the percentage of the population unable to afford at least four items on a list of nine items considered by most people to be desirable or even necessary to lead an adequate life, namely: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.</p> <p><i>Available at:</i></p> <p>http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdsc270</p>

Source: EWCS (2015), EUROSTAT (2018), Standard Eurobarometer 83, World Bank Governance Indicators (2015), WE Forum - The Global Competitiveness Report (2014-2015), Charron et al. (2015), Transparency International (2015)