

European Platform for Tackling Undeclared Work: State of Play and the Way Forward

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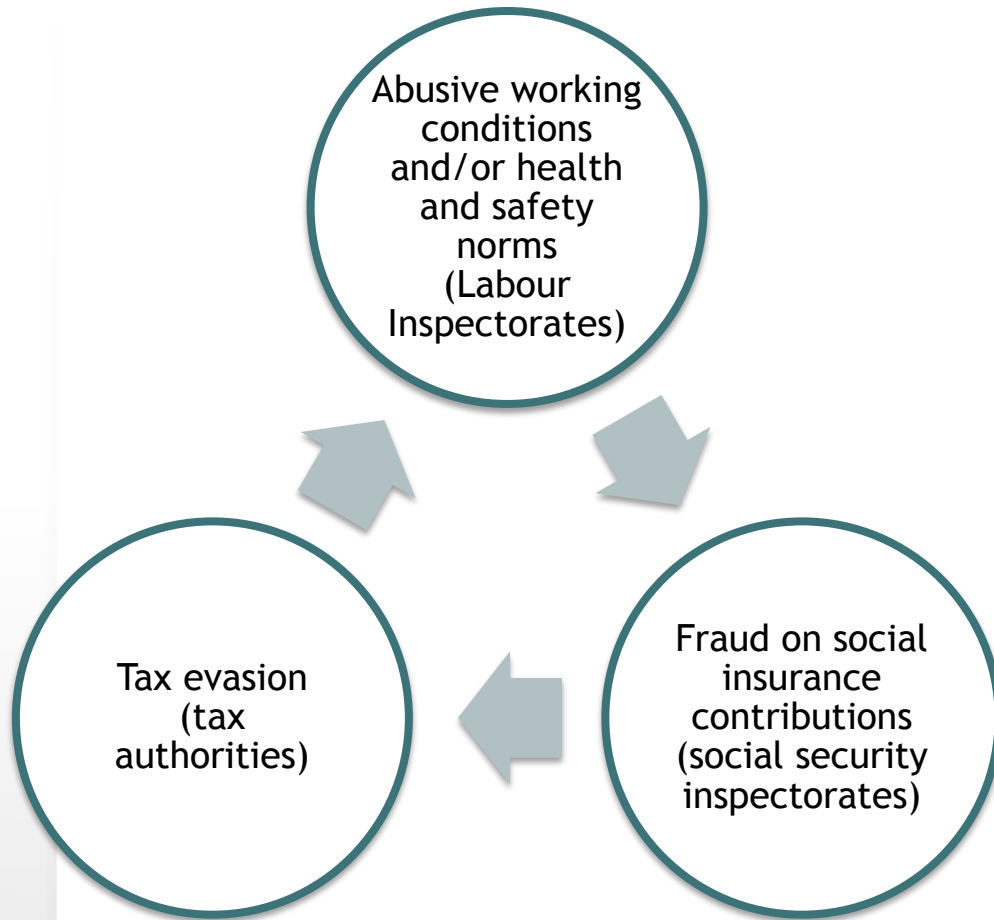
PRESENTATION



Background

- Commission Communication of 24 October 2007 entitled "Stepping up the fight against undeclared work", defines **undeclared work** as "any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory systems of the Member States", thus excluding all illegal activities.
- Currently a topic under discussion at the Employment Council, which gathered Labour Ministers on **16 October 2014**, is the "Decision of the European Parliament and the Council on establishing a European Platform to enhance cooperation in the prevention and deterrence of undeclared work".

Specifics of the Undeclared Work



Risk of poorer working conditions

Health and safety obligations are often neglected

Risk to the employment rights, such as the right to paid annual leave and limits to working time

Workers might not have a right to redundancy payments and unemployment benefits

Training needs are ignored

Access to healthcare is limited as no healthcare contributions have been paid, resulting in higher medical costs

Eurobarometer (March 2014, 28 countries)

- 11% admit that they have bought goods or services involving undeclared work in the previous year, while 4% admit to have carried out undeclared paid activities.
- 60% indicate lower prices as the main reason for purchasing undeclared goods or services, and 22% mention doing favours to friends.
- 50% mention the benefits to both parties as the main reasons for working on an undeclared basis, 21% mention the difficulty to find a regular job, 16% the perception of taxes being too high, and 15% the absence of other income.
- Average of €200 spent on undeclared goods or services and €300 earned by those carrying out undeclared work.
- The proportion of annual income received as ‘envelope wages’ is highest in Southern Europe (69%), followed by Eastern and Central Europe (29%), and Nordic countries register lower levels (17% and 7% respectively).

Political and Strategic Context

- **Since 2001**, the undeclared work has been integrated in the European Employment Strategy. **After the economic and social crisis** undeclared work is high on the EU policy agenda aimed at improving job creation, job quality and fiscal consolidation.
- **Europe 2020 Strategy** for smart, sustainable and inclusive growth sets target of 75% of 20-64 year olds in employment by 2020. **EC Flagship Initiative "An agenda for new skills and jobs" (2010)**: key action no 13 is promotion of job creation.
- **The Employment Package (April 2012)** includes actions for Europe 2020 and highlights the need for cooperation between MS in transforming informal work into regular employment.
- **EC communication "Towards a job-rich recovery" (18 April 2012)**: there is need for launch of consultations on setting up an ***"EU - level platform between labour inspectorates and other enforcement bodies"*** to combat undeclared work, aimed at improving cooperation, sharing best practices and identifying common principles for inspections".
- **European Parliament, Resolution of 14 January 2014**: need for stronger cooperation and reinforcement of labour inspectorates to fight undeclared work.

Stepping up the Fight against Undeclared Work

- There is wide scope for sector-specific approaches to transform undeclared work into regular work (hotels and restaurants, agriculture, home services);
- The Community acquis on the free movement of workers should be generally enforced and facilitated;
- The possibilities of e-government, on-line registration and exchange of information between administrative databases should be further exploited.
- The institutional framework for cross-border movements of workers needs continuing adaptation to the growing complexity of cross-border business.

Points to watch include:

- (i) the taxation of overtime
- (ii) the respect of minimum wages or wages set by collective agreements and their possible role as levels of reference for envelope wages
- (iii) tax distortions between the status of employee and self-employed
- (iv) the reduction of taxation on low productivity jobs

Source: Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions (COM/2007/0628 final - Brussels, 24.10.2007)

On the Road to Establishing the Platform

- EC consultations held with EU-level representatives of employers and employees on possible future EU measures to increase cooperation between national enforcement authorities (IP/13/650)(2 stages: mid-2013 and beginning of 2014).
- On 10 April 2014, the Council received the Commission's proposal on establishing a European Platform to enhance cooperation in the prevention and deterrence of undeclared work (IP/14/387, MEMO/14/271, MEMO/14/272).
- On 19 June 2014 the Hellenic Presidency presented a progress report to the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO).
- During the Italian Presidency in 2014, the Social Questions Working Party continued the work on the draft Directive in two meetings.
- On 16 October 2014 the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) agreed on the general approach on a decision establishing the Platform.

Objectives of the Initiative

Improve the knowledge and measurement of the phenomenon

Share best practices on control and prevention (handbook or guidelines)

Identify common principles for inspections

Promote exchanges of staff and joint training

Facilitate joint control actions

Initiatives Foreseen in the General Approach

Common concepts, evidence-based measurement tools and promotion of comparative analysis and relevant methodological instruments.

Analysis of effectiveness of different policy measures.

Knowledge bank of different practices/measures, including bilateral or multilateral agreements.

Non-binding tools such as guidelines for enforcement, handbooks of good practice and principles of inspections to tackle undeclared work.

Increasing MS technical capacity to tackle cross-border aspects of undeclared work through innovative approaches, such as exchange of staff and joint activities.

Improve data sharing and use of the Internal Market Information System (IMI) and the Electronic Exchange of Social Security Information (EESSI).

Develop training capacity for relevant authorities and carry out joint trainings.

Peer reviews on Member States' progress in fighting undeclared work.

Increase awareness by common activities such as European Campaigns and coordinating regional or Union-wide strategies, incl. sectoral approaches.

Specific activities that can be usefully pursued by the European platform

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

Source: Preliminary results from interviews of 57 European cooperations, CSD and Regioplan, 4 May 2010, Sofia

General Approach on the EU Platform Against Undeclared Work

- Mandatory participation of all Member States (power to decide on their level of involvement and actions)
- Work on the basis of two-year work programmes
- Tasks related to labour law, labour inspections, health and safety, social security, tax and migration
- The Platform should not prevent the application of bilateral and multilateral agreements.

General Approach on the EU Platform Against Undeclared Work

- The actions of the Platform could take the form of: joint trainings, peer reviews and data sharing; European campaigns or common strategies; innovative approaches of cross-border cooperation.
- Main actors: labour inspectorates, social security inspectorates and tax authorities. Member States remain competent to decide which authorities will represent them.
- 'Single point of contact' in each Member State (participates in the plenary meetings of the Platform) and working groups to examine specific issues
- The Platform and its initiatives should be funded through the PROGRESS axis of the programme for Employment and Social Innovation (EaSI).

Structure of the Platform

Members:

- relevant authorities, in particular enforcement authorities, nominated by all the Member States,
- the Commission

Observers:

- cross-industry social partners at Union level (maximum of eight observers), as well as social partners in sectors with a high incidence of undeclared work (maximum of ten observers);
- a representative of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and a representative of the European Agency for Safety and Health at Work (EU-OSHA);
- a representative of the International Labour Organisation (ILO)
- representatives of European Economic Area (EEA) states

Secretariat:

- The Platform shall be assisted by a Secretariat provided by the Commission.

Cooperation

Senior Labour Inspectors Committee (SLIC)

Expert Committee on Posting of Workers

Administrative Commission for Social Security Coordination

Employment Committee (EMCO)

Social Protection Committee (SPC)

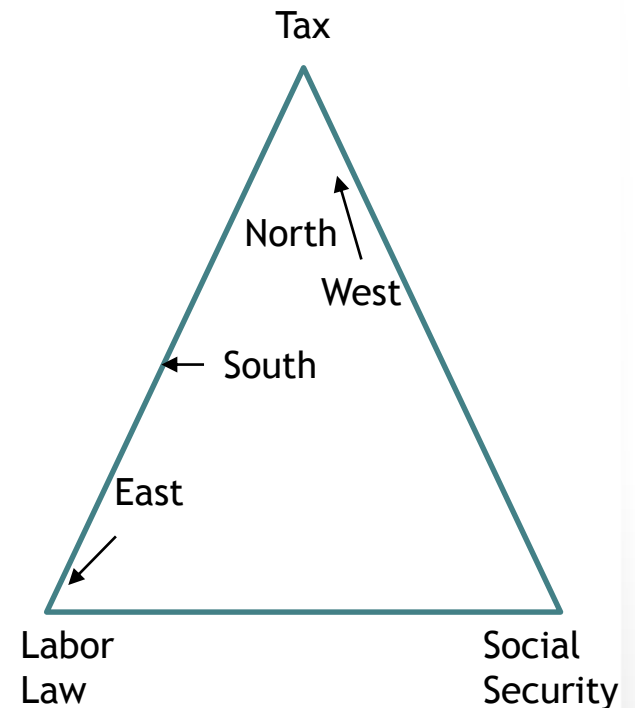
Working Group on Administrative Cooperation in the field of Taxation

Eurofound

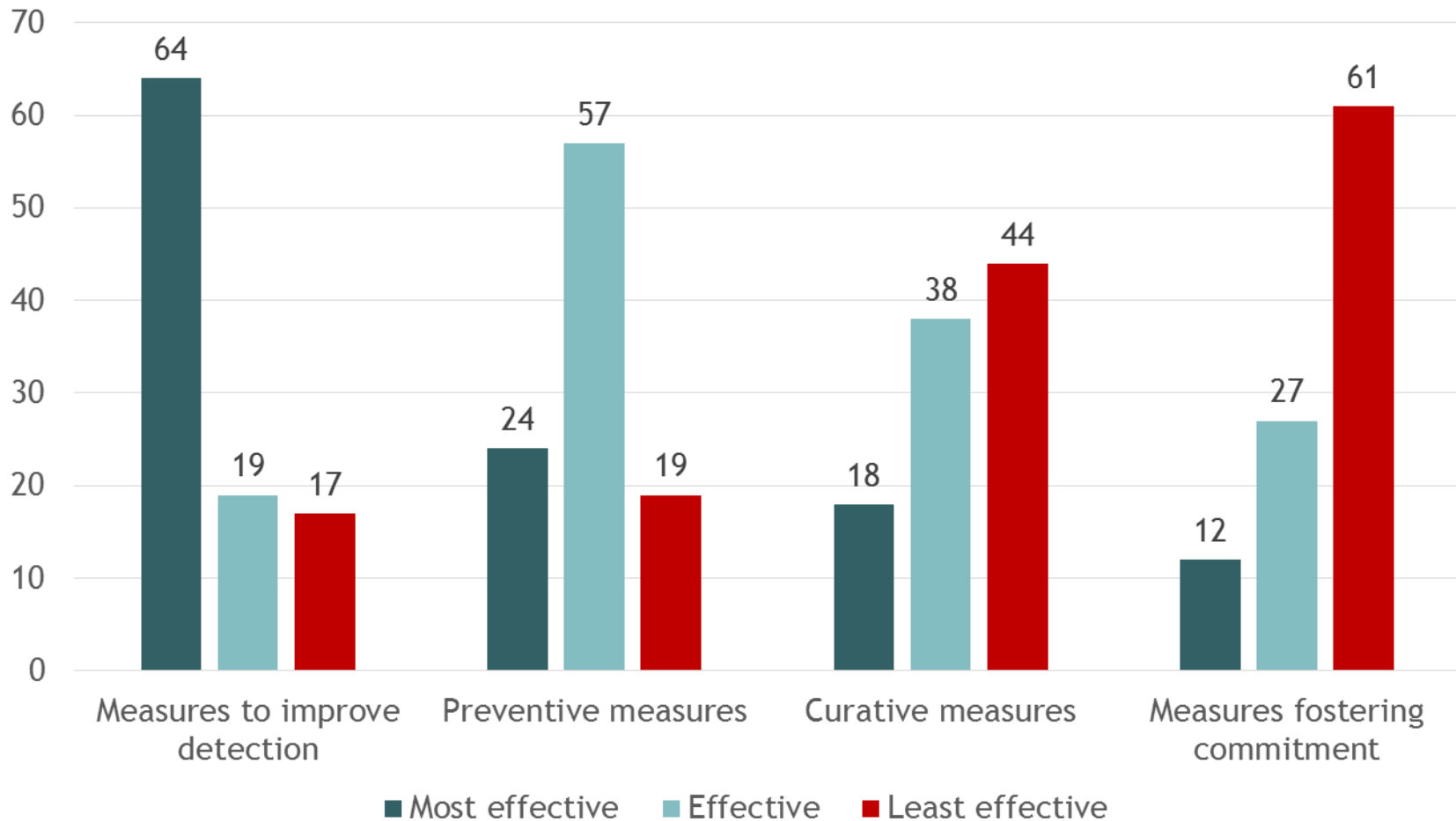
The European Agency for Safety and Health at Work (EU-OSHA)

Leading Authorities in the Member States

Labour Inspectorate	Social Security Inspectorate	Tax Authority
Bulgaria, Cyprus, Czech Republic, France*, Greece, Hungary, Ireland**, Luxembourg, Italy, Latvia, Lithuania, Netherlands**, Portugal, Poland, Romania, Slovakia, Slovenia, Spain*	Belgium, Spain*, France*, Switzerland	Austria, Denmark, Estonia, Finland, Germany, Sweden, UK, Netherlands**, Ireland**, Norway



Type of Policies Seen as Most Effective



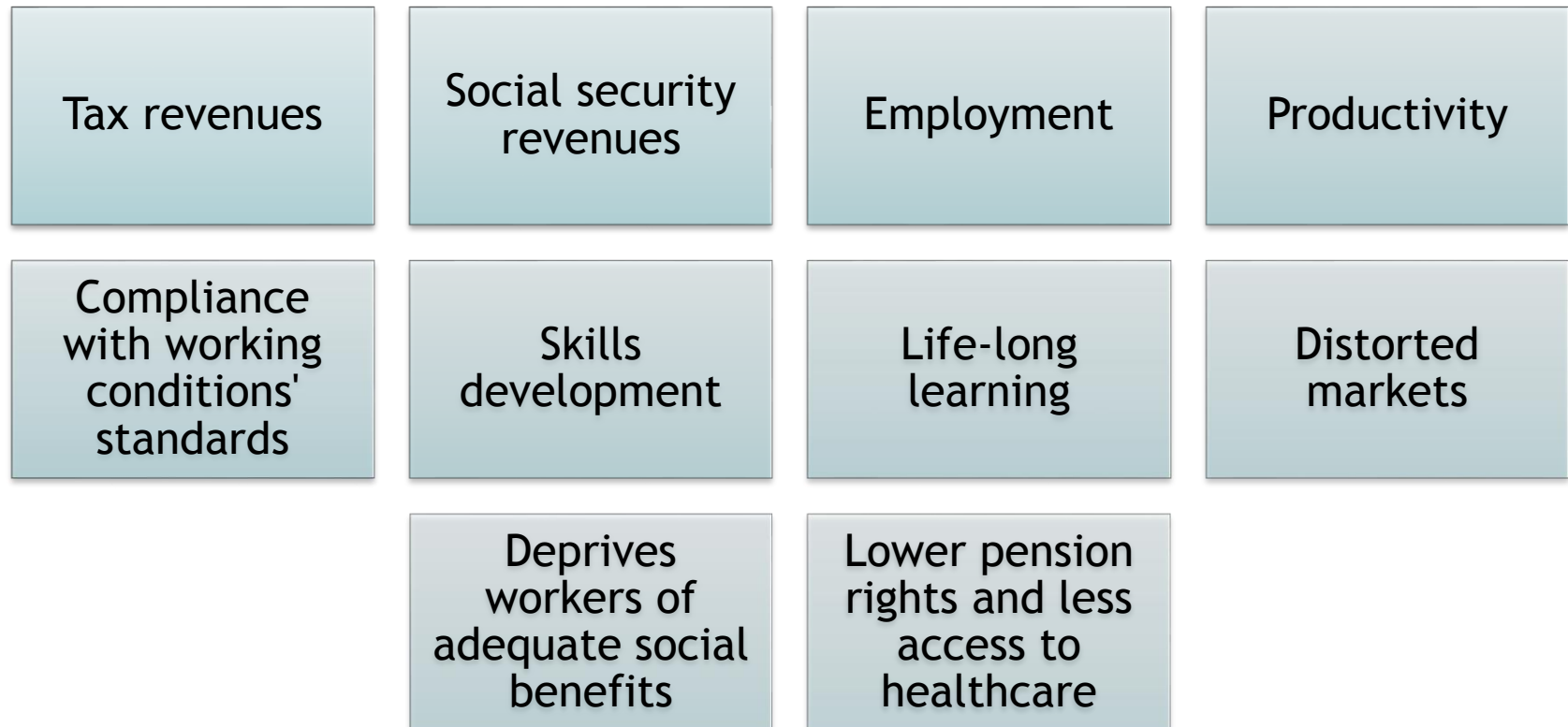
Source: Interviews of 104 respondents, CSD and Regioplan, 2010

Policy approaches towards undeclared work

Measures		
Deterrence	Improve detection	Data matching and sharing Joining up strategy Joining up operations
	Penalties	Increase penalties for evasion
Enabling compliance	Preventative	Simplification of compliance Direct and indirect tax incentives Smooth transition into self-employment Introducing new categories of work Micro-enterprise development
	Curative services	Purchaser incentives: service vouchers; targeted direct taxes; targeted indirect taxes Supplier incentives: society-wide amnesties; voluntary disclosure; business advisory and support
	Fostering commitment	Promoting benefits of declared work Education Peer-to-peer surveillance Tax fairness Procedural justice Redistributive justice

Source: Tackling undeclared work in 27 EU Member States and Norway: Approaches and measures since 2008, Williams, Colin C., Renooy, Piet, 2013.

Undeclared Work: Implications



Thank you for your attention!

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