

## APENDIX 1.

# INSTITUTIONAL STRUCTURE AND POLICIES TO COUNTER UNDECLARED WORK IN ROMANIA, GREECE, AND THE CZECH REPUBLIC

## ROMANIA

The basic institution responsible for the detection and regulation of undeclared work is the Romanian Labor Inspection (Inspectia Muncii, IM). The Labor Inspection is specialized governmental agency founded in 1999, subordinated to the Ministry of Labor, Family and Social Protection (Ministerul Muncii, Familiei si Egalitatii de Sanse, MMFES), which has 41 territorial offices. It is the responsibility of another institution, the Financial Guard (Garda Financiara, GF) and the financial controllers, to observe the non-declaration of incomes. The Financial Guard is a control agency subordinated to the Ministry of Economy and Finance (Ministerul Finantelor, MF), responsible for the prevention and investigation of tax frauds, including the ones related undeclared work. Social partners such as the Builders' Social Fund (Casa Sociala a Constructorilor, a non-governmental organization founded in 1998) are also active in the fight for decreasing undeclared employment. Under the Fund's initiative, the Romanian Association of Employers in the Construction Sector and the trade unions signed an agreement on December 27, 2006, called Social Agreement of the Construction Sector 2007 – 2009 (Acordul Social Sectorial pentru Constructii 2007 – 2009), which assesses the undeclared work in the sector as being one third of the labor force and suggests measures to solve the problem. The fund provides social support to the legally employed during the winter when activity in the construction sectors decreases. In 2006, a Permanent Commission for Control on Undeclared Work was established within the Fund in cooperation with the Ministry of Economy and Finance and the Labor Inspection. The Commission conducts an instructive campaign concerning the negative consequences of undeclared work. The 12 years of its existence makes the Builders' Social Fund the only private operator for social protection in the construction sector of Romania.

The policies to counter undeclared work in Romania include on-the-spot inspections by the Romanian Labor Inspection in higher risk sectors such as construction, textiles, services, industry, foods, carpentry, trade, security, gambling, and activities at the resorts. In 2009, the inspectors carried out a total of 101,407 checks and sanctioned 57,238 employers. 81,241 inspections (80 % of all the inspections in 2009) were in the sphere of undeclared work. Some 8,500 were proven to have used the undeclared labor of 17,464 people. The Labor Inspection has also developed information campaigns focused on the economic sectors where undeclared work is widespread. The Romanian government lowered the social security contributions by 8 percentage points, compared to the levels of 2002, as a measure to tackle undeclared work. The new Labor Code of 2003

acknowledged and regulated the temporary labor contracts, and introduced the conception of temporary employment. This decreased the scope of use of civil contracts (an important instrument of undeclared work in Romania) down to the cases allowed by the *Civil Code*.

Sources: *Labor Inspection* <http://www.inspectmun.ro/>; *Eurofound*, <http://www.eurofound.europa.eu/>; *Builders' Social Fund* <http://www.casoc.ro/>

## GREECE

The Labor Force Employment Organization (OAED) is the basic public institution responsible for the employment policy in Greece. The organization was wholly re-structured in 2001 with the purpose to meet the new challenges described in the European Employment Strategy, including the problem of undeclared work. The Corps of Labor Inspectors (SEPE) was established in December 2000 and subordinated to the Ministry of Labor and Social Security. Its competences include the monitoring of illegal employment. The Corps has the right of free access to the premises of all workplaces in the private and public sectors at any time of the day, even without a preliminary notification. It can temporarily cancel the activity of the whole enterprise or institution, or part of them, if it decides that the safety and health of the workers are at risk. The labor inspectors are divided in three groups: social inspectors, technical inspectors, and sanitary inspectors. An important role in countering undeclared employment is played by the Social Security Fund (Ιδρυμα Κοινωνικών Ασφαλίσεων), which is in charge of the social security status of residents, including the immigrants. According to Greek legislature of 2005 and 2006, the valid-residence-permit card of an immigrant can be re-issued only after a certificate by the Social Security Fund is issued. This document certifies the number of socially insured days during a year by using special stamps, the number of stamps required depends of the professional category of the immigrant.

The policies to counteract undeclared employment include: decreases in taxes and social security payments in 2001 and 2003; legalizing and stimulating temporary employment; regulating the process and the necessary conditions for temporary employment to become permanent employment; measures adopted by the Ministry of the Interior to regulate and register the status of immigrants (foreigners and returning ethnic Greek migrants) through simplification of the procedures.

Sources: *Eurofound*, <http://www.eurofound.europa.eu/>; *European Employment Observatory, Review: Autumn 2004*, [http://www.econbiz.de/archiv1/2008/51903\\_european\\_unemployment\\_observatory.pdf](http://www.econbiz.de/archiv1/2008/51903_european_unemployment_observatory.pdf)

## THE CZECH REPUBLIC

In the Czech Republic, several institutions act to counter undeclared work. The Ministry of Labor and Social Affairs (Ministerstvo prace a socialnich veci Ceske Republiky) is responsible for all issues concerning the labor market and social security contributions. The State Labor Inspection Office (Statni urad inspekce prace, SUIP) has detected and controlled undeclared employment in the local population under the guidance of the Ministry of Labor and Social Affairs since 2005. Within the framework of the Interdepartmental Body for Repressing Illegal Employment of Foreign Workers, founded in 2000, representatives of the government, social partnerships, private and research institutions work in a joint effort to tackle the problem of the illegal labor of foreigners. The institution monitors and makes suggestions for legislative changes, coordinates joint operations by different state organs, and proposes preventive measures. Traditionally, in the Czech Republic, the problem of illegally employed foreign workers has been more emphasized than the illegal employment of the local population. Foreigners participate in the gray economy to a greater extent. The Ministry of the Interior of the Czech Republic (Ministerstvo vnitra Ceske republiky), the Ministry of Labor and Social Affairs through its employment offices, and the Border Police (Cizinecka policie) control the status of the foreigners on the Czech labor market using, for example, on-the-spot inspections carried out by the employment offices. However, the coordination among these institutions is not always efficient.

The first political measures against illegal employment were adopted at the beginning of the 21st century. The 2004 *Employment Law* gave a definition of the notion of illegal labor and strengthened the mechanisms for control over them. The Law introduced sanctions against the offenders. Transforming illegal labor into legal employment is one of the aims of the Czech National Action Plan for Employment for 2004 – 2006. A special Assistance System for the employment of Ukrainian citizens in the Czech Republic was developed. Despite this, the detection of illegal and undeclared labor and law enforcement in this direction are difficult to accomplish in practice. According to the current labor legislation, partial employment is allowed, i.e. the citizens of the Czech Republic have the right to an additional income even when they receive unemployment benefits, provided the additional income is not more than half of the minimal salary and it does not comprise more than 20 hours per week. It is considered that this method is relevant for keeping the labor habits, for decreasing the illegal and unregistered employment, and that it has a positive effect on tax revenues. There are financial sanctions on undeclared labor, which in the Czech Republic has an illegal status. Sanctions are paid both by the worker and the employer. The employment offices exclude from their lists people working without labor contracts and their re-registration as unemployed can occur only after six months and after cutting part of their unemployment benefits.

Sources: Eurofound, <http://www.eurofound.europa.eu/>; The Czech State Labor Inspection Office, <http://www.suip.cz/default/drvisapi.dll?Mlval=/www/index.html>; the Czech Ministry of the Interior, <http://www.mvcr.cz/>; the Czech Ministry of Labor and Social Affairs, <http://www.mpsv.cz/en/>; Project for Legal Migration, <http://www.imigracecz.org/?lang=en&article=home>