

## Notification Letters to companies, Spain

<b>Title of the policy or measure (in English)</b>	Notification letters sent to companies based on results of risk assessment systems
• Country	Spain
• Sectors	All
• What groups are targeted by the measure	<ul style="list-style-type: none"> <li>- Companies that carry out irregular working practices (directly targeted);</li> <li>- Workers involved in irregular working practices: full-time workers under part-time contracts and temporary workers who, according to current legislation, should have open-ended contracts (directly targeted);</li> <li>- Labour inspectors (indirectly targeted).</li> </ul>
• Purpose of measure	Changing attitudes: awareness raising
• Short sentence summarising the measure	A notification letter is sent to companies when the authorities detect a high risk of irregular employment practices being carried out i.e. employing full-time workers under part-time contracts or fraudulent temporary contracts. The letters aim to motivate business managers to regularise the situation before a possible inspection takes place, increasing the efficiency of the Labour and Social Security Inspectorate (ITSS) (Organismo Estatal Inspección de Trabajo y Seguridad Social).
<b>Background</b>	
• Background context driving the implementation of the measure	<p>In Spain several measures have been taken over the last number of years to increase the effectiveness and efficiency of the Labour and Social Security Inspectorate (ITSS). This has involved increased efforts to analyse data from a growing number of public institutions (Social Security, Tax Agency, Notaries, etc.) with the purpose of identifying UDW practices and other fraudulent and irregular situations. The <a href="#">National Anti-fraud Office</a>, created in 2015, is operational since 2018. It targets undeclared work, irregular employment and fraud concerning social security payments.</p> <p>Now, data analysis has evolved into the creation of an <a href="#">Anti-fraud Tool Unit</a>. This tool serves to identify companies with a high risk of carrying out irregular employment practices. In order to increase the efficiency of the Labour Inspectorate, companies identified with the use of the tool have been sent a letter prior to a potential inspection, and, when the business managers regularise the situation, the need for inspection disappears.</p>
• When was the measure implemented? (including start date and end date/ongoing)	November 2017 – ongoing.
• Names(s) of authorities/bodies/organisations involved	Labour and Social Security Inspectorate (Ministry of Work, Migration and Social Security).
• Scope of the measure (a pilot project, nationwide, regional wide)	The practice is implemented by the Labour and Social Security Inspectorate (ITSS) at national level.

<ul style="list-style-type: none"> <li>Type of (policy) measure</li> </ul>	Tool
<ul style="list-style-type: none"> <li>Key objectives of the measure</li> </ul>	<p><b>General objectives:</b></p> <ul style="list-style-type: none"> <li>- To motivate the regularisation of workers in irregular situations in the companies that receive the notification.</li> <li>- To increase the efficiency of the Labour Inspectorate by achieving the regularisation of workers without carrying out inspections (only through a letter, which involves a much more reduced cost compared to inspections).</li> </ul> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>- To increase the awareness about the existence of irregular employment practices in society and of the existence of the Labour Inspectorate; increase the perception of the risk of inspections (not only among those who receive the notification letter, but among other companies as well).</li> </ul>
<b>Specific measure</b>	
<ul style="list-style-type: none"> <li>Description of how the measure operates in practice</li> </ul>	<p>Notification Letters operate via the following steps<sup>1</sup>:</p> <p><b>Identification of potential companies:</b></p> <p>This practice has been developed by the <a href="#">Anti-fraud Tool</a> Unit. The Anti- fraud Tool Unit uses statistical patterns to identify companies that have a high probability of carrying out irregular employment practices, such as employing full-time workers under part-time contracts and holding temporary contracts that should be open-ended contracts.</p> <p><b>Sending of Notification Letters:</b></p> <p>Notification Letters are sent to companies that have been identified by the Anti-fraud Tool Unit. These letters inform companies about the data obtained, asking them to regularise their situation and notifying them that if no regularisation takes place they might face an inspection and possible prosecution.</p> <p><b>Monitoring of companies:</b></p> <p>Data from companies is consulted in order to check whether regularisation has occurred or not since receiving the letter.</p> <p><b>Inspections:</b></p> <p>Inspections are then carried out in companies that have been notified but did not make any changes regarding the formal employment of their staff. Inspections aim to check if a fraud situation does exist. If it is the case, a sanctioning procedure is initiated.</p>
<ul style="list-style-type: none"> <li>What resources and other relevant organisational aspects are involved?</li> </ul>	<p>The Notification Letters have been managed with the human and material resources of the Labour and Social Security Inspectorate with no additional specific resources used so far. It is expected though that, in the framework of the recently approved Director Plan for Decent Work 2018-2020, additional resources will be devoted to the National Anti-fraud Office and the management of the letters.</p>
<ul style="list-style-type: none"> <li>What are the source(s) of funding?</li> </ul>	<p>The source of funding is the Labour and Social Security Inspectorate (ITSS). Thus, its source of funding is the budget of the central government through the Ministry of Work, Migration and Social Security.</p>
<b>Evaluation and outcome</b>	

<ul style="list-style-type: none"> <li>Has the measure achieved its objectives?</li> </ul>	<p>The Notification Letters measure has been implemented relatively recently. There are no concrete results so far. However, in the near future, assessment results are expected to be available.</p> <p>Nevertheless, there are already some preliminary results: firstly, letters were sent to 14 000 companies after the authorities identified risk factors for potential violations with regard to part-time employment. As a result, 15 % of the businesses contacted revised their declarations. Secondly, around 81 000 letters were sent to companies where risk factors were detected for possible violations of temporary contract regulations. As a result, 57.8 % of the companies converted temporary contracts into open-ended ones.</p>
<ul style="list-style-type: none"> <li>Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved</li> </ul>	<p>In September-October 2018 the Labour Inspectorate will collect data about the number of companies that have modified their situation on receipt of one Notification Letter. The ratio among both figures will be a first indicator of the effectiveness of the measure<sup>ii</sup>.</p> <p>Inspections are carried out in those companies that do not modify their situation after receipt of the Notification Letter. The results of these inspections will serve to check the accuracy of the selection of the companies that have received the letters (if companies that were selected and did not make any changes were effectively carrying out irregular employment practices or not). This assessment will serve to improve the accuracy of future Notification Letter campaigns. The follow-up of the inspection results will be broken down by categories of companies (such as by sector, size of the company, location, etc.), in order to guide the Labour Inspectorate on the improvement of the accuracy of future letter campaigns. Nevertheless, in the future, this assessment method might be changed and improved as the measure continues to be implemented.</p>
<ul style="list-style-type: none"> <li>What are lessons learnt and the key conditions for success?</li> </ul>	<ul style="list-style-type: none"> <li>- Notification Letter campaigns are a very useful tool to prevent irregular employment practices and UDW due to the likelihood of a positive impact and at a reduced cost. This in turn increases the efficiency of the Labour and Social Security Inspectorate by achieving an impact without carrying out inspections.</li> <li>- The efficiency of Notification Letters depends on how it works with the Anti-fraud Tool Unit, as letters are received by a selection of companies with a very specific profile. A mass untargeted mailing of notification letters, rather than a targeted mailing, is likely to have less of an impact, and reduce the credibility of the campaign and thus the share of companies that modify their situation after the reception of the letter. The practice of sending Notification Letters is based on a softer deterrence approach as companies who employ UDW but regularise it on receipt of the letter (before a possible inspection takes place) do not face fines or administrative punishment.</li> </ul>
<ul style="list-style-type: none"> <li>Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>The practice is already implemented in all sectors. Its implementation in other countries would require the creation of an anti-fraud <a href="#">tool</a> to select in a targeted way those companies who have a higher probability of engaging in the irregular employment of workers.</p> <p>The practice could be implemented in other fields. Indeed, there are other similar examples implemented by bodies other than the Labour Inspectorate.</p>
<p><b>Additional information</b></p>	
<ul style="list-style-type: none"> <li>Contacts</li> </ul>	<p>Director of the National Anti-fraud Office Email address: <a href="mailto:itsssgit@mitramiss.es">itsssgit@mitramiss.es</a></p>

	Telephone: +34 91 363 11 60 / 61
<ul style="list-style-type: none"> <li>Useful sources and resources</li> </ul>	<p><b>Useful web links:</b></p> <ul style="list-style-type: none"> <li>- <a href="http://www.empleo.gob.es/es/organizacion/subsecretaria/contenido/O_M111.htm">Information on the National Anti-fraud Office, <u>http://www.empleo.gob.es/es/organizacion/subsecretaria/contenido/O_M111.htm</u></a></li> </ul> <p><b>Useful sources:</b></p> <ul style="list-style-type: none"> <li>- <a href="#">Law 23/2015, July 21st, on the Labour and Social Security Inspectorate System.</a></li> <li>- <a href="#">Royal Decree 192/2018, April 6th, approving the Statute of the State Agency of the Labour and Social Security Inspectorate.</a></li> <li>- <a href="#">Resolution of 27th July 2018 that approves the Director Plan for Decent Work 2018-2019-2020 (<u>Resolución de 27 de julio de 2018, de la Subsecretaría, por la que se publica el Acuerdo del Consejo de Ministros de 27 de julio de 2018, por el que se aprueba el Plan Director por un Trabajo Digno 2018-2019-2020</u>)</a></li> </ul>
<ul style="list-style-type: none"> <li>Metadata and key words for online search</li> </ul>	Spain; Cartas de notificación; Herramienta de Lucha contra el Fraude; ITSS; Plan Director por un trabajo digno 2018-2020; notification letters; irregular employment; irregular working practices; risk assessment systems; anti-fraud tool; regularisation of undeclared activities

<sup>i</sup> Source: Resolution of 27 July of 2018 that approves the Director Plan for Decent Work 2018-2019-2020 ([Resolución de 27 de julio de 2018, de la Subsecretaría, por la que se publica el Acuerdo del Consejo de Ministros de 27 de julio de 2018, por el que se aprueba el Plan Director por un Trabajo Digno 2018-2019-2020](#))

<sup>ii</sup> It is estimated that following the first wave of letters sent in November 2017, 15 % of companies modified their situation. Forthcoming analysis of the second and third round of letters sent in August 2018 shall contribute to confirming this finding or not.