



European Platform
tackling undeclared work

Working Group

Holistic approach to tackling undeclared work and developing national strategies

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1 INTRODUCTION

At the Plenary meeting on 25 October 2019, the Platform decided to set up a working group on 'Holistic approaches to tackling undeclared work and developing national strategies'.

The specific focus for this working group – as per activity 5 of the Platform's work programme 2019-2020 – is as follows: 'Focusing on the importance of collaboration of key stakeholders/authorities, how this can be achieved cross-border and nationally, on developing national strategies and practical cooperation models and exploring how social partners can be more involved.'

Its specific tasks are to:

1. Continue the work on understanding how to develop a holistic approach,
2. Produce a short report documenting Platform members' experiences and challenges in developing holistic approaches including through practical tips and concrete examples.

As per the Working Group's mandate, its focus is on the three following elements:

1. Strategic shift from "reducing undeclared work" to "transforming undeclared work into declared work"
2. Developing a whole government coordinated approach, including 1) Developing effective coordination across government departments, national enforcement agencies and with social partners 2) Coordination on operations.
3. Implementing the 'tackling undeclared work approach' as defined in the Platform decision. 'Tackling', in relation to undeclared work, means preventing, deterring and combating undeclared work as well as promoting the declaration of undeclared work

Ms Luísa Guimarães (Portugal) was appointed leader of the Working Group, which is composed of representatives from Belgium, Finland, Germany, Greece, Norway, Poland, Romania, Sweden, Slovakia plus representatives from ILO and ETUC.

During its first meeting on 25 February 2020, the group focused on establishing good practice for the first two elements of 'strategic shift of reducing undeclared work to transforming undeclared work into declared work' as well as 'developing a whole government approach'. The group listened to examples presented by Member States and developed concrete challenges and tips in interactive group discussion.

The group proposed that the report should include a summary of the challenges and tips on these strategic approaches with links to relevant examples and practices identified in previous work of the Platform. It also decided that an Annex should be included in the form of a self-assessment questionnaire which would assist Platform members to identify their own challenges and appropriate next steps. The second working group meeting, initially planned to take place in May, was cancelled due to the pandemic. The preliminary draft report was therefore circulated across the Working Group for comment. The current Report is the outcome of this process tabled for agreement at the October 2020 Plenary meeting.

The Glossary of Terms of the European Platform tackling undeclared work defines the holistic approach as:

"Where national governments use a whole government approach to tackle undeclared work, by joining-up on the policy and enforcement level of both strategy and operations the 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.”¹

Therefore, breaking this definition down into its component parts, there are three major components of the holistic approach:

- 1. Shifting the objective from “reducing undeclared work” to “transforming undeclared work into declared work”.
- 2. Developing a whole government coordinated approach (comprised of three sub-components):
 - Cross-government joined-up strategy;
 - Joining-up operations across government agencies (including enforcement authorities);
 - Cross-government cooperation on data mining, matching and sharing;
 - Improving the involvement of social partners.
- 3. Implementing the “tackling UDW approach”, namely “preventing, deterring and combating undeclared work as well as promoting the declaration of undeclared work” using the full range of direct and indirect tools (comprised of five sub-components):
 - Implementing more effective sanctions;
 - Improving the risk of detection, including developing data mining, matching and sharing;
 - Improving the ease and benefits of engaging in declared work;
 - Implementing education and awareness raising campaigns, and
 - Modernising enforcement authorities

This Working Group report documents Platform members’ experiences and challenges faced in developing this holistic approach. To do so, each component of the holistic approach is considered in terms of: (i) the major challenges faced; (ii) tips for overcoming these challenges and (iii) examples of good practice that are potentially transferable to other Member States.

2 TRANSFORMING UNDECLARED WORK INTO DECLARED WORK

Adopting the strategic objective of “transforming undeclared work into declared work” has significant implications for Member States and enforcement authorities.

Until now, many Member State governments and their enforcement authorities have pursued the strategic objective of reducing undeclared work. The result is that their enforcement authorities often set a target of how many inspections or audits they will conduct, what proportion of all inspections or audits should identify undeclared work, and sometimes what level of fines they should generate each year.

However, a holistic approach has the strategic objective of transforming undeclared work into declared work, which results in different targets and key performance indicators (KPIs). In consequence, the strategic objective of enforcement authorities, such as labour inspectorates, becomes transforming undeclared work into declared work and a core KPI becomes the number of labour relations that are formalised each year, rather than the number of cases of undeclared work detected and punished. Indeed, if

¹ <https://ec.europa.eu/social/main.jsp?catId=1323&langId=en>

an enforcement authority is successful at transforming undeclared work into declared work, then its measure of success is a zero identification of undeclared work during inspections, not a high level of detections.

At the Working Group, two examples were presented by Member States on this theme:

- Romana Hurtuková – challenges in adopting this strategic objective in Slovakia.
- Athina Valamvou – recent institutional interventions in Greece in transforming undeclared work into declared work.

The Working Group then developed some concrete challenges and tips in interactive group regarding the achievement of this component of the holistic approach.

2.1 Major challenges

What are the major challenges faced when trying to shift the objective of Member State governments and enforcement authorities from “reducing undeclared work” to “transforming undeclared work into declared work”?

- Lack of political “buy in”/political will.
- Lack of interest of some wider stakeholders (e.g., social partners) in some contexts in adopting this strategic objective.
- Resistance and negative reactions from enforcement authorities and their staff (e.g., labour inspectorates and labour inspectors).
- Difficulties in evaluating how many undeclared jobs detected are transformed into declared jobs, due to:
 - Lack of data sharing, and
 - Lack of data collected on this issue.
- Lack of competencies of authorities to move beyond inspecting and sanctioning.
- Takes a long time.
- Viewed as expensive.

2.2 Tips

What tips can those who have achieved this offer to others who have been less successful in doing so?

- Pursuing the strategic objective of transforming undeclared work into declared work increases the breadth of the tax base by including more workers into the declared economy. This benefits the society at large at the macro level and individual level, and creates a better level playing field for companies.
- A policy of transforming an undeclared job into a declared job when detected in an inspection will encourage more undeclared workers to report their situation.
- By showing the number of jobs that have been transformed into declared jobs and the increase in tax and social insurance revenue that has resulted, this changes labour inspectorates from being viewed as a “cost” to government into a “revenue” generating enforcement authority (like tax authorities) where funding is an investment with a return to government rather than seen purely as a cost. This needs to be better communicated and disseminated by enforcement authorities showing their “wins” and successes.
- To achieve “buy in”, highlight how transforming undeclared enterprises into fully declared enterprises (rather than eradicating them) is in line with pursuing economic development and growth by fostering entrepreneurship and enterprise culture. Many entrepreneurs start-up their business venture on a partially or fully

undeclared basis. Entrepreneurs do not have an idea for a business one evening and start a fully formal business the next day. They often test-trade their business first; two-thirds of business ventures in European economies test-trade unregistered and/or in the undeclared economy before fully legitimising.

- Need “influencers”/“champions” to promote this shift in strategic objective.
- Training for inspectors on this issue will help “buy in” to this objective.
- Promote better cooperation between advisory centres and inspectors.
- Use specific policy initiatives (e.g., receipts lottery, service vouchers, awareness raising, advisory services) to show how this “abstract” strategic objective can be achieved in practice.
- Show how other Member States are pursuing this and their achievements.

2.3 Good practices

Examples of good practice:

- Modernisation of Latvian State Labour Inspectorate
- Revised Strategy for Work-Related Crime, Norway

3 DEVELOPING A WHOLE GOVERNMENT COORDINATED APPROACH

3.1 Developing a cross-government joined-up strategy

In many Member States, different government departments are responsible for different aspects (e.g., tax authorities for tax compliance, labour inspectorates for labour law and social insurance bodies for social security compliance). A way of joining-up strategy is to develop one overall national body or a coordination unit responsible for coordinating strategy towards undeclared work. Different ministries and enforcement agencies should have representation in this body. Inclusiveness is the key aspect for achieving the holistic and coordinated approach cross the government.

Once established, then it might also be considered whether this body or the coordination unit sets national targets for transforming undeclared work into declared work that are common across government, whether it develops shared targets for some government agencies or whether each government department having separate targets is maintained, and which are joined-up and coordinated by this national body. Each individual institution therefore needs strategic objectives and targets that reflect the overall national strategy.

At the Working Group, two examples were presented by Member States on this theme:

- Päivi Kantanen - Developing the 2020-2023 national strategy and previous experiences in Finland: challenges and tips.
- Bart Stalpaert – challenges and tips in developing cross-government joined-up strategy.

The Working Group then developed some concrete challenges and tips in interactive group regarding the achievement of this component of the holistic approach.

3.1.1 Major challenges

What are the major challenges in developing a cross-government joined-up strategy?

- A political commitment is a prerequisite.
- Different cultures exist in different organisations, making working together sometimes difficult.
- There are power imbalances between departments and actors.

- The “silo” mentality of many government departments is a barrier to developing a joined-up strategy.
- Many actors exist in a Member State both internal to and external to government, each with their own strategies.
- Finding a “champion” to initiate a cross-government body to discuss joining-up strategy is often a barrier.
- Even if finds a “champion” to make a “call to action”, translating a “call to action” into a shared strategy is a time- and resource-consuming task.
- Even if one develops a shared strategy, it is easier to set different objectives for different government departments and external actors. It is more difficult to set cross-cutting (shared) key performance indicators (KPIs) and then to make decisions about who is responsible for achieving them and monitoring them.
- Legal obstacles for sharing information/data

3.1.2 Tips

What tips can those who have achieved this offer to others who have been less successful in doing so?

- Political will is needed.
- Working together, government department and authorities should make sure that up to date information on the problems is included along with the most relevant measures put in the pipeline in order to operationalize the strategy.
- In order to implement the strategy, an action plan must be drawn up to operationalize the strategy. The most effective measures should be taken in the action plan. This can include different projects and concrete measures to implement the strategy (e.g., legislative initiative to support data sharing between authorities and wider cooperation, studies, models for cooperation, follow up, resources to develop authorities analytical work). These projects and measures should be carried out in cooperation between different ministries, agencies and stakeholders.
- Show the “wins” that can be achieved by working together.
- Create a legal basis for working together.
- Display the added value of a common strategy for each stakeholder.
- There is a need to build trust between the different institutions and actors involved.
- A way of building this trust is to take “baby steps” by joining-up strategy on individual policy initiatives to begin (so that institutions and actors learn to trust each other through working together) and then expand out over time.
- Create win-win situations.
- Encourage an open-minded attitude to invent and discuss new ideas – “outside the box” thinking.
- Make space for this creative “blue sky” conversations on the content of the strategy, such as by holding “awayday events” where stakeholders can freely express innovative solutions with each other.
- Need formal models of cooperation at national level to promote “multi-authority cooperation”.

- Need to enhance joint actions and learning and pursue a focus upon multilateral cooperation in a cost-effective way.
- Use “burning issues”/“hot topics” (e.g., highly publicised issues, such as the pandemic) to promote the advantages of joined-up strategy.
- Where appropriate, justify joined-up strategy in terms of the fact that it promotes uniformity.
- A clear vision, mission, and SMART objectives are required.
- Monitoring of progress towards the shared objectives/KPIs is required.
- Resources are needed to develop a joined-up strategy (e.g., for studies, analytical work).
- Need a transparent process for strategy formulation. The process has to be inclusive with different ministries and authorities.
- The undeclared work phenomena often concern many different authorities simultaneously, which is why cooperation models need to be developed to put harmonised practices on a permanent footing. Working together authorities are stronger and more effective.
- Each department involved needs to have a clear system for cascading information up and down from the body responsible for formulating the strategy.

3.1.3 Good practices

Good practice examples of cross-government joined-up strategy:

- [Shadow Economy Combatting Board, Latvia](#)
- [The Central Coordination Group \(CCG\), Lithuania](#)
- [National Strategy for Tackling the Grey Economy and Economic Crime for 2016-20, Finland](#)
- [Government Resolution on a Strategy and Action Plan for tackling the Grey Economy and Economic Crime for 2020 – 2023, Finland](#)
- [Revised Strategy for Work-Related Crime, Norway](#)
- [IPA 2012 Twinning Project: Strengthening Policy and Capacities to Reduce Undeclared Work \(CRO MOONLIGHTING\), Croatia](#)
- [Road map for fighting undeclared work, Greece](#)

3.2 Joining-up operations across government

At the level of operations, it is traditionally the case that different enforcement bodies conduct separate operations in an uncoordinated manner. To pursue greater coordination at the level of operations, joining-up operations (both at the national and cross-border levels through joint and concerted operations) could become a strategic objective of enforcement authorities.

Joint analysis of different authorities is needed to plan the joint operations based on risk assessments of each authority. To shift in this direction, each enforcement authority can set a target for the proportion of operations which will be joined-up with other national organisations, and the proportion of operations which will be cross-border joined-up operations.

At the Working Group, two examples were presented by Member States on this theme:

- [Pål H Lund](#) - Joint operation group between public agencies in Norway and cross-border operations: challenges and tips.

- Luísa Guimarães - Joining up operations: cooperation with the social security institute in tackling undeclared and precarious work.

The Working Group then developed some concrete challenges and tips in interactive group regarding the achievement of this component of the holistic approach.

3.2.1 Major challenges at national level

What are the major challenges faced in joining-up operations at national level?

- Lack of political commitment and signals to do so.
- Lack of a proper system of how to do this at the operational level.
- Lack of willingness to cooperate.
- Deciding a system for allocating the successes to the various partners.
- Differences in priorities may hinder decisions on the targets of joined-up operations.
- Lack of common cross-cutting goals.
- Lack of financial resources.
- Lack of strategic plan and Key Performance Indicators encouraging joined-up operations.
- Lack of evidence of the efficiency and effectiveness of joined-up operations compared with solo operations.
- Models of formal agreements between authorities at the national level, even if local level joined-up operations occur and work well.
- Lack of availability of resources in all authorities involved.
- Establishing a collective culture in joint operation groups can be difficult.
- Overcoming obstacles in data sharing can be a barrier to joint operations.
- Shift from reactive cooperation to more pro-active and strategic cooperation can be difficult.

3.2.2 Major challenges at cross-border level

What are the major strategic challenges faced in joining-up operations at the cross-border level?

- Differences in national legislation can hinder cooperation between countries.
- Legislation across Member States varies in terms of allowing labour inspectors from another Member State to participate in inspections. There are also differences in how far evidence collected from another Member State can be used at home.
- The demands on inspectors' skills and capacity are higher in cross-border inspection cases. They need soft skills such as inter-cultural awareness and networking to conduct visits on undeclared work in foreign countries. They often deal with non-cooperative employers, poorly informed workers and foreign working habits. They need specific language skills and must understand the legal workings of legal labour law and social security requirements across Europe. They will likely also need IT and database skills to perform risk assessments and on-site checks.
- Lack of resources and funding.
- Legal obstacles, particularly the complexity of national legislation, and the fragmentation of, and differences in, competencies, is an obstacle.

- Comparative information on the applicable framework in each Member State, including minimum wage, social security contributions and health and safety conditions in different sectors (e.g. agriculture, transport, HORECA).
- Lack of manuals/procedures for cross-border joint inspections, based on practical information for data sharing among Member States, including how to plan, execute and follow-up a joint inspection.
- Labour inspectorates have limited authority and capacity to tackle cross-border undeclared work since their powers are bound to national jurisdictions. EU and cross-border measures currently available also mainly focus on bilateral issues, such as bilateral agreements (BAs) and memoranda of understanding (MoUs) and information exchange.
- There are capacity constraints to cross-border joint and concerted inspections, such as limited human and financial resources, inadequate skills and knowledge, insufficient IT and databases.
- Political commitment is crucial.
- Need agreements and common goals.
- Need to establish a new cross-border collective culture.
- Sharing information is a challenge.
- Those involved have to be part of something new and to “let go” of their sense of only belonging to their home organisation.
- Moving from reacting and responding to being pro-active in relation to cross-border operations is difficult at present.
- Reconceptualising cross-border operations as more than joint or concerted inspections, and as also involving education and awareness raising, and preventative activities, has so far been limited.
- Instilling the objective of conducting cross-border joint operations into enforcement authorities as of equal importance to national-level (joint) operations.

3.2.3 Tips at national level

What tips can those who have achieved this offer to others who have been less successful in joining-up operations at the national level?

- Seek political commitment.
- Display benefits of joined-up operations to all the parties involved. Many infringements cut across departments and enforcement agencies.
- Decide a system for allocating the successes to the various partners.
- Set Key Performance Indicators for joined-up operations (e.g., % of all inspections which will be joint inspections).
- It is important to educate and convince policymakers by demonstrating the effectiveness of joined-up operations.
- Planning in advance is crucial given the different hierarchies and structures of organisations.
- Sharing information is key and a joint definition of the criteria for assessing risky businesses is required.
- Define the roles and competences of each enforcement authority.
- Have focal points in each entity at both the national and the local level.

- Using joined-up operations to enhance better the visibility and credibility of the authorities involved helps facilitate such operations.
- Engage in continuous improvement by adopting a “test, learn and adapt” approach to enhancing the effectiveness of joint operations.
- Establish a collective culture in joint operation groups/centres, and encourage the staff involved to feel a sense of belonging to the joint group. This can be achieved by relocating staff into these joint operation groups/centres so that staff associate more with the joint group/centre than their original department.
- Establish trust between the partners involved, and understand what each stakeholder wants from the cooperation.
- Develop a roadmap for practical cooperation.
- Ensure resources are in place to enable cooperation.
- Start by using pilot studies to develop cooperation such as with just two bodies to understand challenges and learn from this about developing cooperation.
- Increase visibility by communicating more effectively the results of joined-up operations and be pro-active in developing media communications.
- Use “hot topics” to prioritise the issues for joint operations.
- Make a distinction between the levels of policy and administration when pursuing joint operations.
- Consider establishing a strategic board to organise joined-up operations.
- Consider developing a shared database.
- Identify the limits of joined-up operations.
- Invest in the exchange of people between the organisations involved.
- Learn from good practices elsewhere.
- Recognise that time is required to understand the different cultures and different ways of looking at issues.
- Ensure that there is joint communication of the results.

3.2.4 Tips at cross-border level²

What tips can those who have achieved this offer to others who have been less successful in joining-up operations at the cross-border level?

- Labour inspectors could educate and convince policymakers by demonstrating the level of cross-border undeclared work and how it affects labour and human rights. This could use specific anecdotal examples.
- Include key performance indicators for the number of cross-border inspections in annual plans and strategies.
- Establish a team who focus upon cross-border inspections.
- Inspectors who take part in cross-border inspections could share their experiences with colleagues to inspire and encourage them to engage.
- Shift from viewing solely national-level inspections as the “core business” of the inspectorate to viewing cross-border inspections as an inherent component of the core business of the inspectorate.

² See *Practitioners’ toolkit: cross-border concerted and joint inspections*

- Give greater prominence to tackling cross-border undeclared work in the strategic objectives of enforcement authorities.
- Focus recruitment strategies for specialisation in cross-border work combined with recruitment of diverse staff with more international experience and language ability (for example by offering language training or the recruitment of bilingual staff).
- More exchange programmes for inspectors (for example, staff visits or joint training).
- Take “baby steps” when seeking to develop cross-border joined-up operations, starting with a small bilateral initiative (e.g., cooperation on providing information to mobile seasonal workers) and building up to more complex cross-border joined-up operations.

3.2.5 Good practices at national level

Good practice examples of joining-up operations at the national level:

- Joint operation group between public agencies, Norway.
- Specialised team of labour inspectors to combat undeclared work in the media sector in Portugal
- Multiagency initiative on tackling social dumping – the role of letterbox companies, Denmark
- Inter-agency inspections to tackle undeclared work, Czechia
- Joint control actions between the Ministry of Labour and the Ministry of Transport in the transport sector, France

3.2.6 Good practices at cross-border level

Good practice examples of cross-national cooperation on operations:

- Administrative Cooperation Agreement between Belgium and France
- Bilateral Memoranda of Understanding on cooperation concerning the enforcement of social policy and social assistance regulations in cases of cross-border labour and services between the Netherlands and four other countries: the Czech Republic, Portugal, Romania and Slovakia
- (Inter-)national institutional cooperation for the investigation of letterbox companies, Belgium
- Cross-border co-operation between Belgian and Dutch enforcement authorities in the fight against fraudulent or illegally operating Temporary Work Agencies (TWA)
- Roadbook for joint inspections by Belgian and Dutch enforcement bodies tackling undeclared work
- Joint inspection of Spanish authorities and Romanian Labour Inspectorate of agricultural workers in the province of Albacete
- Bilateral Agreement of Cooperation of France and Bulgaria to tackle undeclared work
- Joint inspection of Spanish and Portuguese enforcement authorities to tackle undeclared work on fishing vessels and compliance with the Maritime Labour Convention
- Bilateral Cooperation Agreement between Norway and Lithuania to tackle undeclared work

- Coordinated cross-border activities between Poland and the Netherlands to prevent labour exploitation in the agriculture and transport sectors

3.3 Cross-government cooperation on data mining, matching and sharing³

Sharing of data both between enforcement authorities within Member States and on a cross-national level is important for tackling undeclared work. Analysing data involves data mining and/or data matching (i.e., the comparison of records in two or more datasets to identify risky individuals and businesses).

Some Member States are closer to a full joined-up cross-government approach to data sharing and analysis, with central units collating the various datasets and providing a common data analysis function to all relevant authorities. Other Member States might have fully interoperable datasets and data sharing across enforcement authorities, whilst yet others might have lower levels of cooperation on data sharing and analysis

3.3.1 Major challenges

What are the major challenges in developing greater cross-government cooperation on data mining, matching and sharing?

- Political commitment.
- Lack of willingness to share data.
- Lack of data availability.
- Inadequate skills and knowledge, insufficient IT and databases.
- GDPR and data protection challenges.
- Lack of interoperability of databases and compatibility (or presumably lack thereof) of software used by different competent authorities involved in the exchange of data (compatible computer programs and data interconnection between public administration services with competence to deal with the various dimensions of the undeclared work or bogus self-employment).
- Lack of capabilities/skills to use systems.
- Lack of agreement (what to achieve and identify limits).
- Mutual involvement/interest.
- Economic funding. Lack of resources to develop the systems.
- The most commonly identified GDPR-related challenges for exchanging data within countries are:
 - Regulation that is not fit for purpose or confusing and needs to be clarified.
 - Data protection can stand in the way of data exchange (but being clear about the purpose of the data exchange may alleviate that).
 - Implementation of data protection is challenging, and IT systems and skills may be lacking. Organisational measures, such as training and informative intranet pages, can help.

3.3.2 Tips

What tips can those who have achieved this offer to others who have been less successful in developing greater cross-government cooperation on data mining, matching and sharing?

³ See *Practitioner Toolkit: Risk Assessment for more Efficient Inspections*, and *7th Plenary report on Data Protection and Data Exchange*.

- Political and operational buy-in is vital to securing resources.
- Demonstrated success (to the policymakers and society), calculating the higher success rate using data mining compared with inspections without data mining, and show the increased returns (in terms of taxes and social contributions paid) due to the greater efficiency of using data mining.
- Develop bilateral agreements/MoUs as a tool.⁴
- Adopt a strategic approach to data collection (i.e., what data is required to identify undeclared work and how can we get access to this data).

3.3.3 Good practices

Good practice examples of cross-government cooperation on data mining, sharing and analysis:

- Benelux cross-border cooperation in detecting and tackling social fraud and error – pilot project in the Construction sector
- Agreement for exchange of information and cooperation between the Portuguese Labour Inspectorate (ACT) and the Spanish Labour and Social Security Inspectorate
- Agreement on Cooperation between Estonia and Finland on Estonian posted workers in Finland
- North Portugal-Galicia cross-border partnership involves the exchange of information between labour inspectors concerning posted workers in Spain and Portugal

3.4 Improving the involvement of social partners

There is considerable added value when social partners are involved in tackling undeclared work. Social partners:

- have an important role to play in the fight against undeclared work both in terms of preventative approaches and deterrence;
- can assist in identifying risks in certain sectors, loopholes in legislation or opportunities for improved enforcement;
- facilitate the detection of problems at the workplace, as they are usually the first ones to be made aware abusive or illegal situations, and
- constitute a direct link to workers and offer safe channels for reporting abuse, as the threshold for turning to authorities may be higher, in particular for undeclared workers fearing to lose their job or work permit.

In consequence, any Member State government and its enforcement authorities needs to build partnerships with social partners, defined as representatives of management and labour (employers' organisations and trade unions). This can be a clearly defined strategic objective of the Member State enforcement authorities.

To do so, the first step required by any enforcement authority is to identify the social partners (e.g., trade unions, employer federations) and to then structure/classify them. For each relevant stakeholder, the type or the nature of the relationship can be defined, the relationship with the stakeholder at different levels of the enforcement authority (national, regional, local) can be considered, and their relevance for the various services of the enforcement authority (given its strategic objective and targets in relation to transforming undeclared work into declared work) at each level can be assessed in terms

⁴ See *Practitioner Toolkit: National and bilateral agreements and memoranda of understanding to tackle undeclared work*.

of the desired outputs of these partnerships (e.g., referrals, exchange of information, detection, prevention, joint inspections).

Having identified the relevant social partners and their roles, the second step is to build these partnerships with the social partners. This requires: staff to be allocated with the objective of partnership building at the various levels of the enforcement authority; the specific activities and contributions expected from these employees who have the objective of partnership building have been specified; and the challenges to partnership building at various levels addressed and solutions sought.

3.4.1 Major challenges

What are the major challenges in improving the involvement of social partners?

- Lack of will at all levels and in all agencies to fully involve social partners.
- Providing social partners with access to workplaces and information.
- Evaluation of outcomes of working with social partners is a challenge.
- Cooperation on function of strategy formulation is often accepted, but not so much on operations and data mining, sharing and analysis.
- Low capacity of trade unions and employer organisations to represent the needs of those engaged in undeclared work, especially those outside of formal sector enterprises.
- Different interests to government authorities and different opinions on tools required to resolve the issues.
- Evaluation of outcome of cooperation with social partners difficult.
- Broader relationship between social partners and government can influence engagement.
- Lack of trust between parties.
- Lack of strategic plan to involve social partners.
- No focal point for contact with social partners and nobody given responsibility for developing this relationship.
- Lack of understanding on both sides, displayed in views that trade union expectations exceed inspectorates' capabilities and competencies to solve problems.
- Lack of culture/tradition of involving social partners at the inspectorate level or country-level.
- Lack of focal point of contact at social partners.

3.4.2 Tips

What tips can those who have achieved this offer to others who have been less successful in improving the involvement of social partners?

- For each social partner, it is useful to identify the desired outputs and outcomes of these partnerships (e.g., referrals, exchange of information, detection, prevention, education and awareness raising, joint inspections).
- When doing so, common ground should be found between the social partners and government, and then the partnership should move forward on tackling these issues. If feasible, these should be "hot topics" for all the partners involved. This will help build trust since there will be common objectives.
- For each social partner, the level at which collaboration occurs is necessary (national, regional, and/or local).

- To build these partnerships, it is useful to allocate the responsibility of partnership building to specific staff at each level of the enforcement authority. Besides time, resource support is required (e.g., to help organise joint educational campaigns).
- The specific activities and contributions expected from these employees assigned responsibility for partnership building should then be specified and if possible, built into their annual objectives and reviewed through the staff appraisal system.
- On the type of activities that may be pursued, it could be useful to start with educational and awareness raising campaigns. Other activities might include ad hoc meetings at a sectoral level to identify risk indicators (e.g., in transport, construction, HORECA, agriculture), or involving them as speakers in training events for inspectors.
- Discussion should occur with the social partners of the challenges to partnership building and solutions sought.
- Transparent agreements should be developed with each social partner with clearly defined responsibilities, and desired outputs and outcomes.
- There should be a systematic monitoring and evaluation of the outputs and outcomes of the partnership arrangements.
- The results of the evaluation/monitoring should be shared with the social partners.
- Feedback mechanisms should be developed to enable the social partners to report back on the reasons for the outcomes and outputs so that continuous improvement can occur.
- The easiest way to start involving social partners is to commence with individual meetings on a specific topic.

3.4.3 Good practices

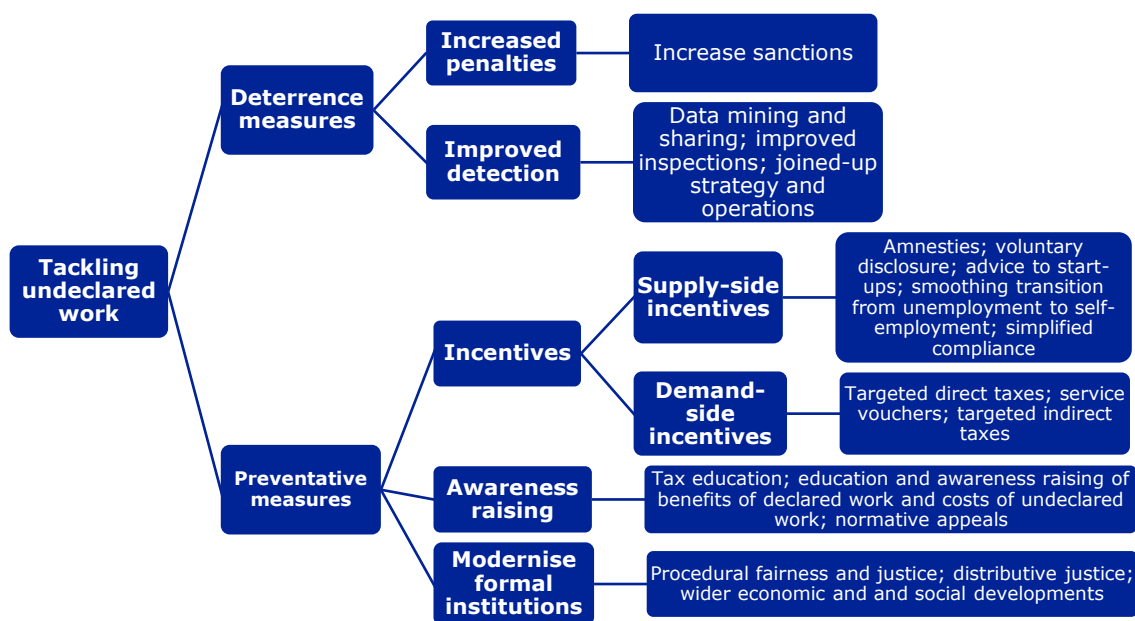
Good practice examples of involving social partners:

- [Action Alliances against undeclared work and illegal employment between the Federal Ministry of Finance and the social partners, Germany](#)
- [Social Partners and their key role in tackling undeclared work: 12 success stories](#)
- [Supreme Labour Council \(ASE\), Greece](#)
- [Joint targeted inspections by the Greek Labour Inspectorate \(SEPE\) and the Athens Labour Union Organisation \(EKA\), Greece](#)

4 IMPLEMENTING THE FULL RANGE OF POLICY MEASURES

A **holistic policy approach** towards tackling the undeclared economy uses in a strategic and coordinated manner the full range of both the direct and indirect policy approaches and measures available to increase the power of, and trust in, authorities respectively.

Range of policy measures to address undeclared work



Direct approaches reduce the costs and increase the benefits of operating on a declared basis and increase the costs and reduce the benefits of operating undeclared. Viewing those participating or considering participation in undeclared work as rational economic actors, who weigh up whether the pay-off is greater than the expected cost of detection and punishment, the objective is to alter the cost/benefit ratio confronting them. To do this, it either increases the costs of undeclared work or the ease and benefits of engaging in declared work. To increase the costs of undeclared work, either the sanctions and/or the risks of detection can be improved.

Each is here considered in turn, with a particular focus on those elements that are key in implementing the strategic move towards a more holistic approach.

4.1 More effective sanctions that contribute to transforming undeclared work into declared work

Deterrence measures detect and punish participation in undeclared work firstly by *improving the penalties and sanctions for those caught* (e.g. besides fines, innovative forms of sanction are emerging in many countries, such as the use of 'black lists' which prohibit offenders from applying for public support programmes or public procurement tenders, or 'naming and shaming' initiatives where the names of offenders are made public).

4.1.1 Major challenges

What are the major challenges in implementing more effective sanctions?

- Proportionality of sanctions relative to other illegitimate activities constrains the ability both to increase and decrease the sanction levels.
- Fines are traditionally a source of revenue for inspectorates and the level of fines sometimes a long-standing KPI. Shifting away from using fines to some of the alternative sanction systems (e.g., non-compliance lists, naming and shaming) is therefore difficult.
- There is a strong resistance to questioning the efficiency and effectiveness of higher fiscal penalties in tackling undeclared work.

4.1.2 Tips

What tips can those who have been more successful offer to others who have been less successful in doing so?

- There is a strong evidence base which reveals that it is not conclusive that higher fiscal penalties decrease the prevalence of undeclared work. This evidence should be used to justify the diversification of sanctions and warn against a heavy reliance on purely fiscal penalties.
- It is possible to design sanction systems that have as their objective transforming undeclared work into declared work, rather than simply punishing non-compliance. These sanction systems impose lower fines on employers in cases where the employer subsequently hires the undeclared employee on a declared contract. The fine reduces the longer the declared contract given to the previously undeclared employee.

4.1.3 Good practices

Good practice examples of sanctions:

- New framework for undeclared work fines, Greece

4.2 Improving the risk of detection, including developing data mining, matching and sharing

A second way of increasing the costs of undeclared work is to *increase the perceived or actual likelihood of detection* (e.g. using workplace inspections; ICT systems to enable data matching; worker registration initiatives prior to starting work or on their first day of work; mandatory IDs in the workplace; coordinated data sharing initiatives across government; the coordination of operations between government departments; coordinating strategy across government, and the use of peer-to-peer surveillance (e.g. telephone hotlines).

4.2.1 Major challenges

What are the major challenges in improving the risk of detection, including developing data mining, matching and sharing?

- There is often resistance to conducting any other types of inspection besides unannounced solo inspections, such as announced inspections, advisory inspections, and joint and concerted inspections.
- It is difficult in practice to move resources away from doing workplace inspections to developing complementary detection methods (e.g., data mining).
- As a result, there is a lack of resource to develop a wider range of detection methods.
- Inspectors need persuading that their “local knowledge” is not being undermined by the use of data mining to detect “risky businesses”.
- The compatibility of software and legal obstacles often prevent data sharing.
- There is often a lack of human resources with IT skills in inspectorates.

4.2.2 Tips

What tips can those who have been more successful offer to others who have been less successful in doing so?

- Pilot studies to show the effectiveness of new types of inspection would help produce greater “buy in” from inspectors to new forms of inspection by showing them the benefits (e.g., announced inspections, advisory inspections, joint and concerted inspections).

- Training is required of inspectors in the use of databases to identify risky businesses for inspection.
- Inspectors need to be given the opportunity to combine their “local knowledge” with the results of data mining (e.g., by issuing an inspector with a list of 200 risky businesses for inspection and asking them to select 100 from them using their local knowledge).
- Feedback from inspectors on the ground of the results of data mining is a useful way of developing the data mining and encouraging “buy in” by inspectors.
- Conduct pilot studies in particular sectors or localities of other detection methods beyond workplace inspections, evaluate their effectiveness and widely circulate the results (e.g., notification letters).
- Seek out information on available EU funds (e.g., ESF) that might provide funding support of deterrence initiatives to tackle undeclared work.

4.2.3 Good practices

Good practice examples of improving the risk of detection:

- Grey Economy Information Unit (GEIU), Finland
- Operational Departmental Committees against Fraud (CODAF), France
- National Anti-Fraud Office, Spain
- Estonian Register of Employment
- REVISAL digital register of employees, Romania
- The Incomes Register, Finland
- Declaration of Works and Checkin@Work: monitoring the chain of sub(contractors) in the construction industry to prevent undeclared work, Belgium
- MiningWatch: using data analytics for targeted inspections of social security fraud, Belgium
- Intelligence and analysis methods, Norway
- Joint and several liability in sub-contracting chains, Belgium
- Regulating subcontracting in the construction sector, Spain
- Monitoring contractor liability in the road transport sector, Finland
- Risk Analysis Tool of the Greek Labour Inspectorate
- Risk analysis to detect letterbox companies involved in tax debt schemes, Latvia
- The Road Traffic Control Information System – Assisting the detection of undeclared work, Greece
- Valtti- ID card Service, Finland
- Inspections of private households as places of employment: Ireland
- Act to Combat Unlawful Employment and Benefit Fraud: Germany

4.3 Improving the ease and benefits of engaging in declared work

Besides increasing the costs of undeclared work, one can also make it easier and more beneficial to engage in declared work. **Incentive measures** make it easier to undertake, and reward, participation in declared work. These include:

- **Supply-side incentives** targeting businesses and workers in the undeclared economy (e.g. society-wide amnesties, individual-level voluntary disclosure schemes, and advisory and support services to those wishing to move from the undeclared into the declared realm), or
- **Demand-side incentives** targeting their customers with rewards for using declared goods and services (e.g. granting income tax deductions on the costs incurred of obtaining services on a declared basis; issuing of vouchers so that consumers only pay a proportion of the hourly wage rate, leaving the remaining part to be covered by the state; and the use of indirect tax deductions).

4.3.1 Major challenges

What are the major challenges in improving the ease and benefits of engaging in declared work?

- Lack of legal competency in inspectorates to pursue many of the incentive measures that make it easier and more beneficial to engage in declared work.
- Lack of political will to pursue these measures.
- Lack of understanding of the benefits of pursuing such measures.
- Lack of availability of evaluations of the effectiveness of these measures in other Member States to provide evidence for their implementation in one's own Member State.
- Lack of financial resources to develop such initiatives.

4.3.2 Tips⁵

What tips can those who have been more successful offer to others who have been less successful in doing so?

- Conduct pilot studies in specific sectors or localities to evaluate the effectiveness of such initiatives to show their ability to transform undeclared work into declared work.
- Use the results of the pilot studies to seek greater resources for the wider implementation of these preventative measures.
- Undertake staff exchanges to learn from other Member States about the effectiveness of such initiatives.
- Use "hot topics" to promote the development of these preventative measures.
- Seek out information on available EU funds (e.g., ESF) that might provide funding support of preventative initiatives to tackle undeclared work.

4.3.3 Good practices

Good practice examples of improving the ease and benefits of engaging in undeclared work:

- Supply-side incentives
 - Mini-jobs, Germany
 - Employment Contract for Short-term Seasonal Agricultural Work in Bulgaria
 - Simplified employment act, Hungary

⁵ See: *Elements of a preventative approach towards undeclared work: an evaluation of service vouchers and awareness raising*; *Preventative approaches towards undeclared work with a focus upon tax rebates and notification letters*

- “Warned to Choose” notification letters initiative, Lithuania
- Cherry letters, Lithuania
- Notification Letters to companies, Spain
- Certified Cash Registers initiative, Slovenia
- Quality seal in the light transportation sector, Austria
- Quality Agricultural Work Network, Italy
- Tax Percentage Calculator & Gross Income Calculator (Veroprosenttilaskuri & Bruttopalkkalaskuri), Finland
- Online Self-Inspection Tools for Employers and Employees, the Netherlands
- Employee sharing /joint employment in agriculture, Finland
- Demand-side incentives
 - Receipts Lottery, Romania
 - Household Service Vouchers (Dienstleistungsscheck), Austria
 - Service vouchers in Belgium (Titres services)
 - Universal Service Employment Voucher (Chèque emploi service universel - CESU), France
 - Enterprise vouchers in seasonal agriculture (Vrijednosni kuponi za sezonski rad u poljoprivredi), Croatia
 - Boligjob Plan: using tax-rebates to promote the declaration of work, Denmark
 - Tax relief for domestic service work (ROT and RUT), Sweden

4.4 Implementing education and awareness raising campaigns⁶

Indirect approaches recognise that citizens and businesses are not just rational economic actors (purely calculating the costs and benefits). They are also social actors who engage in undeclared work when formal institutional failings lead them to adopt norms and beliefs regarding participation in undeclared work that do not align with the laws and regulations, for example due to a lack of trust in the state and what it is seeking to achieve. From this perspective, therefore, all societies have institutions which prescribe, monitor and enforce ‘rules of the game’ regarding what is socially acceptable. On the one hand, there are formal institutions (i.e. the laws and regulations) that prescribe ‘state morality’ about what is socially acceptable, and on the other hand, informal institutions (i.e. the socially shared rules, usually unwritten) which describe ‘citizen morality’. To align them, the most common approach is to:

- **Change the norms, values and beliefs** regarding the acceptability of participating in undeclared work, so that these are in symmetry with the laws and regulations (e.g. using awareness raising campaigns and educational initiatives), and/or

4.4.1 Major challenges

What are the major challenges in implementing education and awareness raising campaigns?

⁶ See *Information tools and approaches to reach out to workers and companies in the fight against undeclared work*

- Finding the resource to develop education and awareness raising campaigns.
- Finding the staff with marketing and communications competencies.
- Gaining consensus on the messages, target group, mediums/channels to be used.
- Lack of political willingness to support educational and awareness raising campaigns
- Lack of understanding of how the effectiveness of such campaigns can be measured beyond the number of likes, impressions, etc
- Lack of resources to conduct ex-ante and ex-post evaluations of attitudes of the target group so that an evaluation of the impacts of the campaign can be measured.
- Lack of resource to continue campaigns on an on-going manner to maintain a change in attitudes.
- Lack of understanding of whether a change in attitude is permanent or whether it needs continuous reinforcement to be maintained.

4.4.2 Tips

What tips and examples of good practice can those who have been more successful offer to others who have been less successful in doing so?

- Appoint staff with skills and competencies in marketing and communications.
- If resources are lacking to appoint such staff, seek out from existing staff those who have a desire and some competence in the use of social media for marketing and communications purposes.
- Seek out information on available EU funds (e.g., ESF) that might provide funding support of preventative initiatives to tackle undeclared work.
- Conduct ex-ant and ex-post evaluations of the attitudes of the target group to evaluate the changes in attitude. Identify a control group against which the changes over time can be assessed in order to evaluate the impacts of the campaign relative to other changes over time.
- Take “baby steps” in developing campaign materials, starting with small initiatives (e.g., individual messages/posts on social media) and build up to larger coordinated strategic campaigns.

4.4.3 Good practices

Good practice examples of education and awareness raising initiatives:

- ‘Infoline’ – operated by the Information and Customer Services Unit (ICS) at the Workplace Relations Commission (WRC), Ireland
- Awareness campaign about bogus self-employment, Ireland
- Assistance on the Spot – providing support to companies to avoid violations of labour legislation with respect to bogus self-employment, Czechia
- National Contactcentre of the Federal Labour Inspection of the Belgian Federal Public Service Employment, Labour and Social Dialogue, Belgium
- “UDW – It’s bad for you, harmful for all” campaign, Portugal
- Student@work Campaign, Belgium
- National Awareness Raising Campaign: Grey Economy-Black Future (Harmaa talous - musta tulevaisuus -viestintäkampanja), Finland

- National Awareness Campaign 'Stop undeclared work – Stop Moonlighting' (Kampanja Stop radu na crno – stop neprijavljenom radu), Croatia
- 'I spit on it' awareness raising campaign (Man uzspļaut), Latvia
- #Fraudoff! (#Atkrapies!), Latvia
- Information campaign to raise awareness of labour law among workers and employers, Hungary
- Consultation with the State Labour Inspectorate via Facebook Messenger, Lithuania
- 'Chain Approach' – raising awareness in the cleaning sector, Netherlands
- National Awareness Raising Campaign – Before you undertake work, Poland
- Awareness raising campaign on undeclared and unhealthy work, Sweden
- Virtual Reality Films, Sweden

4.5 Modernising enforcement authorities

Another way of aligning civic morality with the laws and regulations is to **change the formal institutional imperfections** that lead to a lack of alignment between the norms, values and beliefs of the population, and the laws and regulations. This can involve either:

- *Changing the internal processes of formal institutions to improve the perception amongst citizens and businesses that there is procedural and distributive fairness and justice, to improve trust in government.* Procedural fairness refers to whether citizens and businesses receive what they perceive as procedurally fair treatment. Distributive justice refers to whether citizens and businesses receive the goods and services they believe that they justly deserve given the taxes that they pay. Procedural justice refers to whether citizens and businesses believe that the authorities treat them in a respectful, impartial and responsible manner. Being treated politely, with dignity and respect, being given a say, and having genuine respect shown for one's rights and social status, all enhance compliant behaviour.
- *Changing the products of formal institutions.* Reviewing studies that evaluate the relationship between cross-national variations in economic and social conditions, and cross-national variations in the size of the undeclared economy, the same findings consistently emerge. Whether the size of the undeclared economy is measured using Multiple Indicators Multiple Causes (MIMIC) method estimates or direct surveys, and whether studies compare the 27 Member States of the European Union, post-socialist transition economies or countries across the developing world, the finding is that reducing the prevalence of undeclared work is significantly associated with: increasing GDP per capita; improving the quality of governance and reducing corruption; increasing expenditure on labour market interventions to help the most vulnerable groups; increasing social expenditure, and developing more effective social transfer systems so as to reduce the level of inequality and severe material deprivation.

4.5.1 Major challenges

What are the major challenges in modernising enforcement authorities?

- Many of the changes required are beyond the current competence of enforcement authorities.
- The fact that these changes are beyond the competence of enforcement authorities reveals how undeclared work cannot be fully tackled unless a holistic approach is adopted coordinated by a high-level strategic body at the heart of government.

- Changing the working practices of enforcement authorities is often difficult because the standards and processes by which public servants behave are often government-wide rather than specific to an enforcement authority.
- There is little recognition that the major determinants of undeclared work are structural economic and social conditions.
- Changes in macro-level policies are seldom evaluated prior to implementation in terms of their impacts on the undeclared economy.
- There is a widespread perception that enforcement authorities are responsible for tackling the undeclared economy when often they only have limited competencies and cannot deal with the macro-level causes of the undeclared economy.
- Changing the wider macro-level conditions requires political support and is therefore more difficult to implement.

4.5.2 Tips

What tips can those who have been more successful offer to others who have been less successful in doing so?

- It is useful to adopt the “rule of thumb” view (voiced in presentations by the head of the ILO Decent Work Technical Support Team for Central and Eastern Europe) that two-thirds of the prevalence of undeclared work can be tackled through macro-level changes and one-third by the actions of the enforcement authorities. This measure, even if very tentative, highlights the importance of wider structural change.
- Building political support for the structural reform(s) needed at national level by providing the evidence or guidance how to measure the impact of undeclared work and disseminate findings among policy makers and other national authorities to create momentum for the change.
- The structural and organisational changes are difficult to introduce without this political backing. Therefore, the Platform’s and enforcement authorities focus should perhaps remain on practical approaches that are easier to incorporate by enforcement authorities
- Much more research is required to show the impacts of improving the customer-friendliness of enforcement authorities on the prevalence of undeclared work. Until now, there is little research available to show the effectiveness of making enforcement authorities more “customer friendly”.
- Providing more information about available EU funds (e.g. ESF) to support initiatives to tackle the macro-level determinants of undeclared work and the organisation reforms required to transform undeclared work into declared work would be a useful initiative
- Training events to understand how procedural fairness can be introduced into enforcement authorities would be useful, namely whether citizens and businesses receive what they perceive as procedurally fair treatment.
- Training events to understand how distributive justice can be introduced into enforcement authorities would be useful, namely whether citizens and businesses receive the goods and services they believe that they justly deserve given the taxes that they pay.
- Training events to understand how procedural justice can be introduced into enforcement authorities would be useful, namely whether citizens and businesses believe that the authorities treat them in a respectful, impartial and responsible manner. Being treated politely, with dignity and respect, being given a say, and

having genuine respect shown for one's rights and social status, all enhance compliant behaviour. Mutual learning on how enforcement authorities can help bolster this would be useful.

5 POSTSCRIPT: COVID-19 AND THE RELEVANCE OF THE HOLISTIC APPROACH

As a postscript to this Working Group report, it is useful to briefly review the relevance of the holistic approach both during the Covid-19 pandemic and in the 'new normal' world.

On the first component of "**transforming undeclared work into declared work**", this is likely to become more important in the immediate aftermath of the pandemic. The significant shrinkage of declared economies due to the pandemic will almost certainly result in calls for a growth in the tax base across Member States. Therefore, the transformation of undeclared work into declared work will become a greater priority.

On the second component of developing a **whole government coordinated approach**, the pandemic has acted as a catalyst for a shift in this direction. In some Member States such as the Netherlands, the pandemic has resulted in a whole government coordinated approach in the form of a cross-government 'boosting' team involving seven Ministries working together, and involving social partners, to tackle the working conditions of migrant workers. Indeed, the pandemic has more widely displayed the importance of a whole government coordinated approach to solve problems and provided a demonstration of the benefits to be gained from such an approach. In the immediate future, therefore, there may well be far greater acceptability of, and opportunities for, a whole government coordinated approach to be adopted when tackling different topics, such as the undeclared economy.

The pandemic is also acting as a catalyst for greater cross-government cooperation on data mining, sharing and analysis. The pandemic provides a clear rationale for arguing the case for greater access to other enforcement authorities' databases so that enforcement authorities can more efficiently detect cases of undeclared work and identify risky businesses for notification letters, educational and awareness raising purposes, etc. Moreover, given the potential money involved in the abuse of the short-term financial support schemes, enforcement authorities now have a window of opportunity to make demands for improvements in cross-government cooperation on data mining, sharing and analysis in order to detect and sanction such abuses, and prevent undeclared work.

On the third component of using the **full range of direct and indirect policy measures**, the cessation or significant reduction in physical workplace inspections has acted as a catalyst for considerable innovation, leading to a range of new types of inspection, including telephone or video conference, documentary, postal and even observation inspections. It has also acted as a catalyst in some enforcement authorities (e.g., Spain) for greater emphasis on data mining, and information provision in the form of education and awareness raising, often via website developments (e.g., Bulgaria, Portugal, Spain and Sweden). So too have previously little used supply-side incentive initiatives been adopted, such as voluntary disclosure regularisation schemes in Italy and Portugal. Therefore, many of the additional policy initiatives beyond workplace inspections, discussed in detail at Platform events over the past four years, have started to be used to a greater extent. The Platform has produced many learning resources and toolkits that are at the disposal of Member States seeking to adopt the fuller range of direct and indirect measures available.

In conclusion, this COVID-19 crisis has revealed the importance of the holistic approach towards undeclared work. There have been exemplary initiatives to develop a joined-up cross-government coordinated approach, many innovations in relation to doing

inspections differently, and greater priority accorded to using the full range of direct and indirect policy measures available.

ANNEX

TOWARDS A HOLISTIC APPROACH: SELF-ASSESSMENT OF PROGRESS⁷

⁷ This Self-Assessment Questionnaire is to enable Member States to evaluate the degree to which they are adopting a holistic approach towards undeclared work, and to identify where further improvements are required.

A. "TRANSFORMING UNDECLARED WORK INTO DECLARED WORK" AS A STRATEGIC OBJECTIVE

Adopting the strategic objective of "transforming undeclared work into declared work" has significant implications for Member States and their enforcement authorities.

Until now, many Member States and their constituent enforcement authorities have pursued the strategic objective of reducing undeclared work. The result is that the constituent enforcement authorities often set a target of how many inspections they will conduct, what proportion of all inspections should identify undeclared work, and sometimes what level of fines they should generate each year.

However, a holistic approach has the strategic objective of transforming undeclared work into declared work, which results in different targets and key performance indicators (KPIs). In consequence, the strategic objective of enforcement authorities, such as labour inspectorates, social security institutions and tax authorities, becomes transforming undeclared work into declared work and a core KPI becomes for example, the number of labour relations that are formalised each year, rather than the number of cases of undeclared work detected and punished⁸.

<i>Self-assessment on adopting the strategic objective of transforming undeclared work into declared work:</i>				
A1. Transforming undeclared work into declared work is a strategic objective in my Member State				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				
A2. The enforcement authorities in my Member State have targets/KPIs related to transforming undeclared work into declared work, such as the number of labour relations that are formalised (or some similar target)				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				

⁸ Indeed, if an enforcement authority is successful at transforming undeclared work into declared work, then its measure of success is a zero identification of undeclared work during inspections and field audits, not a high level of detections.

B. DEVELOPING A WHOLE GOVERNMENT CO-ORDINATED APPROACH

B1. Joining-up strategy across government

In many Member States, different government departments are responsible for different aspects (e.g., tax authorities for tax compliance, labour inspectorates for labour law and social insurance bodies for social security compliance). A way of joining-up strategy is to develop one overall national body responsible for coordinating strategy towards undeclared work.

Once established, then it might also be considered whether this body sets national targets for transforming undeclared work into declared work that are common across government, whether it develops shared targets for some government agencies or whether each government department having separate targets is maintained, and which are joined-up and coordinated by this national body. Each individual institution therefore needs strategic objectives and targets that reflect the overall national strategy.

Self-assessment on joining-up strategy:		
B1a. How is the overall national organisational framework towards undeclared work in your Member State best described?		
One single body is responsible for the national strategy	Different (government) departments/organisations are responsible for different aspects	Other
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?		
B1b. How are the national targets for tackling undeclared work best described?		
Common: There is one set of national targets for tackling undeclared work that is common across the whole of government	Shared: Some government departments/agencies have shared targets	Separate: Each government department/agency has its own targets
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?		

B2. Joining-up operations across government

At the level of operations, it is traditionally the case that different enforcement bodies conduct separate operations in an uncoordinated manner. To pursue greater coordination at the level of operations, joining-up operations (both at the national and cross-border levels through joint and concerted operations) could become a strategic objective of enforcement authorities.

To shift in this direction, each enforcement authority can set a target for the proportion of operations which will be joined-up with other national organisations, and the proportion of operations which will be cross-border joined-up operations.

Self-assessment on joining-up operations:				
B2a. "Joined-up operations with other national organisations is a clearly defined strategic objective of enforcement authorities in my Member State"				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?				
B2b. "A target has been set for the proportion of all operations which are joint or concerted operations with other national organisations"				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?				
B2c "Cross-border co-operation is a clearly defined strategic objective of enforcement authorities in my Member State"				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?				
B2d. "A target has been set for the proportion of operations which will be cross-border"				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What are the next steps to make further progress?

B3. Cross-government cooperation on data sharing and analysis

Sharing of data both between enforcement authorities within Member States and on a cross-national level is important for tackling undeclared work. Analysing data involves data mining and/or data matching (i.e., the comparison of records in two or more datasets to identify risky individuals and businesses).

Some Member States are closer to a full joined-up cross-government approach to data sharing and analysis, with central units collating the various datasets and providing a common data analysis function to all relevant authorities. Other Member States might have fully interoperable datasets and data sharing across enforcement authorities, whilst yet others might have lower levels of cooperation on data sharing and analysis.

Self-assessment: cooperation on data sharing and analysis				
B3a. Cooperation on national-level data sharing				
There is limited access to data from other enforcement authorities	Enforcement authorities receive printouts of data from other enforcement authorities	Enforcement authorities have electronic access to some of the data of other enforcement authorities	Enforcement authorities have full automatic access to all relevant data in other authority's databases	One central unit holds the data which is available to all relevant enforcement authorities
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?				
B3b. Cooperation on data analysis				
Enforcement authorities can only directly analyse their own databases	Enforcement authorities receive data from other enforcement authorities they can import into their own databases	Enforcement authorities can directly analyse some relevant databases from other agencies	Enforcement authorities can directly analyse all relevant databases from other agencies and there is database interoperability	One central unit holds the data and does the analysis for all enforcement authorities
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make further progress?				

B4. Improving social partner involvement

Any Member State government and its enforcement authorities needs to build partnerships with social partners, defined as representatives of management and labour (employers' organisations and trade unions). This can be a clearly defined strategic objective of the Member State enforcement authorities.

To do so, the first step required by any enforcement authority is to identify the social partners (e.g., trade unions, employer federations) and to then structure/classify them. For each relevant stakeholder, the type or the nature of the relationship can be defined, the relationship with the stakeholder at different levels of the enforcement authority (national, regional, local) can be considered, and their relevance for the various services of the enforcement authority (given its strategic objective and targets in relation to transforming undeclared work into declared work) at each level can be assessed in terms of the desired outputs of these partnerships (e.g., referrals, exchange of information, detection, prevention, joint inspections).

Having identified the relevant social partners and their roles, the second step is to build these partnerships with the social partners. This requires: staff to be allocated with the objective of partnership building at the various levels of the enforcement authority; the specific activities and contributions expected from these employees who have the objective of partnership building have been specified; and the challenges to partnership building at various levels addressed and solutions sought.

The third step is to manage these partnerships by: (i) involving them in all relevant phases of the strategic management and service provision process; (ii) developing transparent agreements with clearly defined responsibilities; (iii) systematically monitoring and evaluating the outcomes of the partnership arrangements, and (iv) sharing the monitoring/evaluation results with the partners.

Self-assessment on improving social partner involvement				
B4a. Building partnerships with social partners is a strategic objective of the enforcement authorities				
No progress	Discussion is taking place	Decision taken to implement	Initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				
B4b. The social partners have been identified and the relationships sought have been specified by the enforcement authorities				
No progress	Discussion is taking place	Decision taken to implement	Initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What are the next steps to make progress?				
B4c. The level of involvement with social partners in my Member States is best described as:				
No consultation	Irregular ad hoc involvement	Regular engagement in joint actions (e.g., information and awareness campaigns)	Tri-partite agreement on EITHER: sector specific inspection targets; information exchange, OR awareness raising.	Full tri-partite agreement and consultation on: sector specific inspection targets; information exchange, & awareness raising.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				
B4d. Staff have been allocated to the task of partnership building in each enforcement authority, the problems in partnership building are being addressed and solutions pursued				
No progress	Discussion is taking place	Decision taken to implement	Initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				
B4e. There are transparent agreements, the outcomes of partnerships are evaluated, and the results shared				
No progress	Discussion is taking place	Decision taken to implement	Pilot initiative being pursued	Fully adopted
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are the next steps to make progress?				

B4f. Which of the following tools and measures are used by social partners (trade unions and employers organisations) in your Member State to tackle undeclared work?

SOCIAL PARTNER TOOLS & MEASURES	Used
Raising awareness and changing behaviours through campaigns, awards, dedicated websites, etc at sectoral and company level	Yes/No
Referring cases of undeclared work to enforcement and judicial authorities	Yes/No
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	Yes/No
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes/No
Raising awareness of situations of undeclared work and making calls for action	Yes/No
Cooperating across borders in the fight against undeclared work	Yes/No
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	Yes/No
Providing policy and legal advice on procedural and legal changes needed	Yes/No
Providing policy advice on where enforcement authorities should focus their efforts (e.g., bogus self-employment, particular sectors)	Yes/No
Taking part in consultations and working groups	Yes/No
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms.	Yes/No
Establishing relevant contacts through their networks of members	Yes/No
Serving as access points to corporate databases	Yes/No
Conduct workplace inspections	Yes/No

B4g Are any other tools and measures used by social partners not mentioned above?

Self-assessment regarding range of tools and measures used by social partners in your Member State:				
Very limited range	Limited range	Neither limited nor wide range	Wide range	Very wide range
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Views on tools and measures used:				
"Do you believe that the range of tools and measures used by social partners could be improved?"				
Not at all	Not really	Undecided	Somewhat	Very much
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How, if at all, could the range of measures used be improved?

C. Current Policy Approaches and Measures Used for Tackling Undeclared Work

C1. Improving penalties

Many Member States tackle undeclared work by increasing the costs of participation in undeclared work. One way in which this is achieved is by improving the penalties for those caught with the objective of either preventing participation in undeclared work and/or transforming undeclared work into declared work.

C1a. Which of the following policy measures are available in your Member State for tackling undeclared work?

DETERRENCE MEASURES	Used
Penalties	
Use of penalties and fines to prevent participation in undeclared work	Yes/No
Use of penalties to transform undeclared work into declared work	Yes/No
Penalties for people or businesses who buy undeclared work	Yes/No
Use of non-compliance lists ('blacklists')	Yes/No
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes/No
'Naming and shaming' lists	Yes/No

C1b. Are any other sanctions used which are not mentioned above?

Self-assessment regarding use of sanctions:				
Very limited range	Limited range	Neither limited nor wide range	Wide range	Very wide range
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Views on sanction measures:				
"Do you believe that the use of sanction measures could be improved?"				
Not at all	Not really	Undecided	Somewhat	Very much
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How, if at all, could the deterrence measures you use be improved?

C2. Improving the perceived and/or actual risks of detection

Many Member States tackle undeclared work by increasing the costs of participation in undeclared work. Besides improving the perceived and/or actual sanctions, this is achieved by increasing the actual and/or perceived risks of detection.

C2a. Which of the following policy measures are available in your Member State for improving the perceived and/or actual risks of detection?

MEASURES TO IMPROVE DETECTION	Used
Workplace inspections	Yes/No
Joint inspections with other national inspectorates	Yes/No
Announced inspections	Yes/No
Cross-border inspections	Yes/No
Registration of workers prior to first day at work	Yes/No
Data matching and sharing to identify risky businesses	Yes/No
Use data mining to determine risky businesses for inspection	Yes/No
Coordination of data mining and sharing across government departments	Yes/No
Coordination of strategy on undeclared work across government departments	Yes/No
Use of compliant reporting tools (e.g. telephone hotlines)	Yes/No
Certification of business, certifying payments of social contributions and taxes	Yes/No
Notification letters	Yes/No
Mandatory ID in the workplace	Yes/No
Supply chain responsibility	Yes/No

C2b. Are any measures to increase the actual and/or perceived risk of detection used which are not mentioned above?

Self-assessment regarding use of measures to improve the actual and/or perceived risk of detection:				
Very limited range	Limited range	Neither limited nor wide range	Wide range	Very wide range
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p align="center">Views on improving the risk of detection:</p> <p align="center">“Do you believe that the use of detection measures could be improved?”</p>				
Not at all	Not really	Undecided	Somewhat	Very much
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>How, if at all, could the detection measures used be improved?</p>				

C3. Improving the ease and benefits of participating in the declared economy

In recent years, it has been recognised that besides increasing the actual and/or perceived costs of operating on an undeclared basis, one can also increase the benefits of operating on a declared basis, to reduce the net benefits for businesses of engaging in undeclared work.

C3a. Which of the following incentives are currently used in your Member State to prevent participation in undeclared work?

Incentives	Used
<i>Supply-side measures (i.e., to stimulate suppliers to operate declared)</i>	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes/No
Society-wide amnesties	Yes/No
Individual-level amnesties for voluntarily disclosing undeclared activity	Yes/No
‘Formalisation’ advice to start-ups	Yes/No
‘Formalisation’ support services to existing businesses	Yes/No
Targeted VAT reductions	Yes/No

Provide free record-keeping software to businesses	Yes/No
Provide fact sheets on record-keeping requirements	Yes/No
Provide free advice/training on record-keeping	Yes/No
Gradual formalisation schemes	Yes/No
Initiatives to ease transition from unemployment into self-employment	Yes/No
Initiatives to ease transition from employment into self-employment	Yes/No
Access to free marketing	Yes/No
<i>Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)</i>	
Service vouchers	Yes/No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	Yes/No
Targeted indirect taxes (e.g., VAT reductions)	Yes/No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	Yes/No

C3b. Are any other incentives used to prevent participation in undeclared work and encourage participation in declared work which are not mentioned above?

Self-assessment regarding use of incentives to operate in the declared economy				
Very limited range	Limited range	Neither limited nor wide range	Wide range	Very wide range
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Views on use of incentives to operate in declared economy: "Do you believe that the use of incentives to operate in the declared economy could be improved?"				
Not at all	Not really	Undecided	Somewhat	Very much
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How, if at all, could the use of incentives to operate in the declared economy be improved?				

C4. Indirect measures: fostering a commitment to operating on a declared basis

In recent years, it has been recognised that many businesses and people act on a declared basis even when the cost/benefit ratio suggests that they should be operating on an undeclared basis. The reason this occurs is because people take a moral stance and believe that they should operate on a declared basis. Recognising this, measures have been taken that seek to try to ensure that the norms, values and beliefs of citizens and business owners ('civic morality') align with the codified laws and regulations ('state morality').

C4a. Which of the following initiatives are pursued in your Member State to promote a culture of commitment to operating in the declared economy?

Fostering commitment to declared work	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes/No
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes/No
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	Yes/No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes/No
Normative appeals to businesses to operate on a declared basis	Yes/No
Measures to improve the degree to which customers of the enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	Yes/No
Measures to improve labour, tax and/or social security law knowledge	Yes/No
Public information on the work and achievements of the enforcement authorities	Yes/No

C4b. Are any other incentives used to foster the commitment of businesses and citizens to operating in a declared manner that are not mentioned above?

Self-assessment regarding use of measures to foster commitment to operating on a declared basis				
Very limited range	Limited range	Neither limited nor wide range	Wide range	Very wide range
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Views on use of measures to foster commitment to operating on a declared basis:				

“Do you believe that fostering commitment to operating on a declared basis could be improved?”

Not at all	Not really	Undecided	Somewhat	Very much
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>How, if at all, could the use of measures to foster commitment to operating on a declared basis be improved?</p>				