



## Practice fiche

### Warned to Choose - Lithuania

<b>Title of the policy or measure (in English)</b>	Warned to Choose initiative
<ul style="list-style-type: none"> <li>Case study/good practice name</li> </ul>	Warned to Choose: a preventative measure to combat UDW in Lithuania
<ul style="list-style-type: none"> <li>Country</li> </ul>	Lithuania
<ul style="list-style-type: none"> <li>Sectors</li> </ul>	All sectors
<ul style="list-style-type: none"> <li>Target groups</li> </ul>	Companies not complying with regulations relating to work and rest time.
<ul style="list-style-type: none"> <li>Type of measure</li> </ul>	Prevention
<ul style="list-style-type: none"> <li>Short sentence summarising the measure</li> </ul>	This systemic model of preventive control measures called “Warned to Choose” identifies companies who are not complying with regulations concerning the non-recording of all hours worked by employees and the payment of <i>envelope wages</i> (where a part of the wage/salary paid to the worker is undeclared by the employer). In such cases the companies receive a warning letter from the interdepartmental working group (consisting of the State Tax Inspectorate, State Labour Inspectorate and the State Social Insurance Fund Board) and are subject to strict control procedures by the State Tax Inspectorate if they don’t explain or rectify the situation within a certain timeframe.
<b>Background</b>	
<ul style="list-style-type: none"> <li>Background context driving the implementation of the measure</li> </ul>	The trend in Lithuania is that the share of infringements relating to the signing, performance and termination of employment contracts has been declining while the share of infringements relating to work and rest time as well as the payment of envelope wages has been growing.
<ul style="list-style-type: none"> <li>When was the measure implemented? (including start date and end date/ongoing)</li> </ul>	April 2015 – ongoing
<ul style="list-style-type: none"> <li>Names(s) of authorities/bodies/organisations involved</li> </ul>	The State Tax Inspectorate (STI) is the lead organisation for the measure. The State Labour Inspectorate (SLI) mainly carries out the inspections of companies, while the State Social Insurance Fund Board (SSIFB) has the main responsibility for compiling the database of companies who may be infringing the regulations described.
<ul style="list-style-type: none"> <li>Scope of the measure (a pilot project, nationwide, regional wide)</li> </ul>	Nationwide
<ul style="list-style-type: none"> <li>Type of (policy) measure</li> </ul>	Strategy
<ul style="list-style-type: none"> <li>Key objectives of the measure</li> </ul>	To reduce risks relating to the non-recording of all hours worked by employees and the payment of envelope wages.
<b>Specific measure</b>	

<ul style="list-style-type: none"> <li>Description of how the measure operates in practice</li> </ul>	<ul style="list-style-type: none"> <li>In order to identify companies who appear as ‘risky taxpayers’ a comparison of the databases<sup>1</sup> of the State Labour Inspectorate, the State Tax Inspectorate and the State Social Insurance Fund Board is undertaken.</li> <li>Then through a decision of the interdepartmental working group comprising representatives of these three institutions, companies who are identified in the process receive a warning letter.</li> <li>When a company gets a letter, they are informed that wages paid to their employees are significantly lower compared to other companies operating in that particular sector and/or region.</li> <li>Some companies are asked to come to the STI to give explanations on low wages paid or other risk indicators.</li> <li>If a company fails to explain the existing situation or rectify it within a certain timeframe, the company will be subject to strict control procedures by the STI.</li> </ul>
<ul style="list-style-type: none"> <li>Which groups are targeted by the measure?</li> </ul>	<p>The measure targets companies not complying with regulations relating to work and rest time, and companies who are paying envelope wages (direct).</p>
<ul style="list-style-type: none"> <li>What resources and other relevant organisational aspects are involved?</li> </ul>	<p>The steering group for tackling economic crime consisting of STI, SLI and SSIFB representatives supervise the progress of implementing the action plan and change it if necessary.</p>
<ul style="list-style-type: none"> <li>What are the source(s) of funding?</li> </ul>	<p>Each participating institution funds its own activities as part of the measure.</p>
<p><b>Evaluation and outcome</b></p>	
<ul style="list-style-type: none"> <li>Has the measure achieved its objectives?</li> </ul>	<p>The measure has led to the identification of non-compliance in 6 167 companies in the first half of 2016.</p> <p>In companies where the “Warned to Choose” model was applied, a decrease occurred of around 15 % in the percentage of employees paid minimum or low wages.</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 the first half of 2016, the following <b>outputs</b> were achieved as a result of the measure:</p> <ul style="list-style-type: none"> <li>non-compliance was identified in 6 167 companies;</li> <li>employers were served 261 claims;</li> <li>62 undeclared workers were identified;</li> <li>329 persons who worked in violation of the working and rest time regime or who were not paid the prescribed remuneration for work on days off, overtime and night work were identified;</li> <li>153 administrative protocols were written out; and</li> <li>finances imposed amounted to more than EUR 60 000.</li> </ul> <p>The following are some of the <b>outcomes</b> as a result of the measure:</p> <ul style="list-style-type: none"> <li>Comparing the cases of non-compliance, the share of employees receiving minimum monthly or lower wages in November 2016 decreased by 8.3 percentage points compared to January 2016 (as compared to a 2.9 percentage points decrease for all companies in Lithuania);</li> </ul>

<sup>1</sup> The databases contain, for example, information on average wages paid to employees, number of employees etc.

	<ul style="list-style-type: none"> <li>• The average wage in the 3<sup>rd</sup> quarter of 2016 increased by approximately 9.6 % compared to the first quarter of 2016 (average for all companies – 6 %);</li> <li>• Collection of personal income tax during quarter 1 and quarter 3 2016 increased by 12.4 % compared to 1-3Q 2015 (average for all companies – 5.4 %).</li> </ul>
<ul style="list-style-type: none"> <li>• What are lessons learnt and the key conditions for success?</li> </ul>	<p>Lessons learnt and success factors include the following:</p> <ul style="list-style-type: none"> <li>• This systemic model of preventive control measures “Warned to Choose” helped to reduce the scale of UDW, because it uses both approaches - deterrence and enabling compliance.</li> <li>• A key condition for success is good institutional co-operation at all levels.</li> </ul>
<ul style="list-style-type: none"> <li>• Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>In order for the measure to work in a different context, it is important to have a good understanding of the legal basis for and compatibility of databases. It is also important for good cooperation to exist between different authorities.</p>
<b>Additional information</b>	
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<ul style="list-style-type: none"> <li>• Sources</li> </ul>	
<ul style="list-style-type: none"> <li>• Metadata and key words for online search</li> </ul>	<p>Lithuania; work and rest time; Warned to Choose; envelope wages; ; cooperation between authorities; preventative control measures; enabling compliance; systemic model;</p>