




European Platform tackling undeclared work

New State Labour Inspectorate Strategy and the Prevention of Undeclared Work

Latvia

	Summary <p>The New State Labour Inspectorate Strategy 2018-19 has introduced a preventative approach to tackle undeclared work, with two new key performance indicators (KPIs) to measure how effectively it achieves this objective. One KPI focuses on achieving legitimised labour relations and the other measures the provision of advice and support to employers.</p>
Title of the practice in original language	<i>Valsts darba inspekcijas darbības stratēģija 2018.-2019. gadam un tajā noteiktie galvenie izpildes rādītāji (KPI)</i>
Name(s) of authorities/bodies/organisations involved	<ul style="list-style-type: none"> The Latvian State Labour Inspectorate – SLI (<i>Valsts darba inspekcija</i>).
Sectors	All
Target groups	<ul style="list-style-type: none"> Labour inspectors (directly targeted); Workers involved in undeclared work (indirectly targeted).
Purpose of measure	Prevention

	Aims and objectives <p>The shift from a 'control' approach to a new preventative approach, which involves transforming undeclared work into declared work, was reflected in the new SLI working strategy 2018-19. This sets out new KPIs which support a preventive and effective compliance regime, as well as customer-oriented services.</p>
Background context	<p>Rather than simply reducing or eradicating undeclared work, the SLI's preventative approach aims to transform undeclared work into declared work. This was reflected in the New SLI Strategy 2018-19 published on 13 March 2018.</p> <p>One of the drivers for this was a Mutual Assistance Project (MAP)ⁱ as part of the EU Platform tackling undeclared work which aimed at supporting the SLI in improving its</p>




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	<p>effectiveness in tackling undeclared workⁱⁱ. It recommended that the SLI modernises its strategic objective and its Key Performance Indicators (KPIs) in relation to undeclared workⁱⁱⁱ.</p> <p>Two other initiatives also contributed to the development of the New SLI Strategy concerning its new preventative approach including a Latvian cross-government 'consult first' initiative^{iv}, and the strategic compliance planning approach proposed by the ILO^v.</p>
Key objectives of the measure	<p>General Objective:</p> <ul style="list-style-type: none"> To develop a preventative approach to undeclared work. <p>Specific Objectives:</p> <ul style="list-style-type: none"> To enact a new SLI working strategy to develop a preventative and effective compliance regime, as well as customer-oriented SLI services; To put into place preventative KPIs to encourage the shift from undeclared to declared work.
Main activities	<p>The new SLI working strategy 2018-19 marks a shift away from traditional KPIs, such as the number of inspections conducted and number of instances of undeclared work identified, towards new preventative KPIs.</p> <p>These include:</p> <ul style="list-style-type: none"> The number of legitimised labour relations (using 2018 as a base and then seeking a 10 % increase in 2019). <p>On 1 September 2016 a new regulation was introduced into the Latvian Administrative Violation Code which also helps to support this new KPI, as it stimulates employers to prevent the violation.^{vi} If an employer agrees they have engaged an undeclared worker, they must submit proof that they have corrected the non-compliance before a decision to impose a fine is made, and if they pay the fine within 15 days of the decision, the fine is reduced by 50 %. The KPI is measured automatically by checking the data one month after the inspection to determine whether the labour relationship has been legitimised, which subsequently reduces the need for follow-up inspections;</p> <ul style="list-style-type: none"> The number of advice/support consultations provided (currently piloted with enterprises in two sections where undeclared work is prevalent). Success is measured by the level of customer satisfaction.



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	A prerequisite for this KPI is the development of a communications strategy/media plan in the SLI business plan which addresses who is to be targeted and why, the information/messages to be conveyed to different audiences, the most effective delivery method, and plans for working in partnership with other government departments and social partners for the formalisation of support and advice. This activity, however, has not been fully enacted yet and will be included in the next SLI strategy for the period (2020-22).
Funding/organisational resources	Time for communicating the new strategy and KPIs to the Ministry of Welfare and employees of the SLI.

	Outcomes The New State Labour Inspectorate Strategy has experienced some success in preventing undeclared work. In more than two thirds of cases where undeclared work has been detected, the worker has become a formally registered employee.
Achievement of objectives	In 2018, (the base measurement year for this indicator) following SLI inspections, 69 % of workers detected without a formal labour agreement either received a formal agreement or were formally registered with the State Revenue Service ^{vii} .
Lessons learnt and success factors	Key lessons and success factors include the following ^{viii} : <ul style="list-style-type: none"> • The New Strategy was a wholesale reformulation of the system rather than just implementing minor changes; • Expertise and specialist resources proved very valuable, including the insights from the MAP and the ILO strategic compliance planning model; • It was important to gain the trust of employers and workers; • A key area of implementation, and one that requires extra training for inspectors, is changing the mindset of inspectors from one based on control and punishment, to one where they consult with employers and workers first in order to improve communication. This remains both a challenge and a work in progress.
Transferability	The New State Labour Inspectorate Strategy could be transferable to other countries where there is openness towards a more preventative approach and labour



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	inspectorates are willing to reduce the focus purely on compliance and punitive measures.
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Further information	
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Useful sources and resources	New Latvia SLI Strategy http://www.vdi.gov.lv/files/vdi_strategija_2018_2019.pdf

ⁱ A mutual assistance project (MAP) offers an individual Platform member the opportunity to be counselled in an area where they need critical support and/or possible improvement, usually evidenced in a country-specific recommendation (CSR) in their annual country report. These mutual assistance projects are practical, hands-on and tailored learning activities designed to support and transfer practices, to help solve issues, provide advice and provide implementation support. The aim of a mutual assistance project is usually to support an enforcement authority, such as a labour inspectorate, to improve its effectiveness in tackling undeclared work.

ⁱⁱ Williams, C. 'Preventative approaches for tackling undeclared work, focusing upon tax rebates and notification letters: Learning resource paper for the European Platform tackling undeclared work seminar', Brussels, 16 May 2019, European Commission.

ⁱⁱⁱ KPIs are a means or an instrument of target setting which evaluate the success of an organisation in achieving its strategic objectives.

^{iv} See <https://www.mk.gov.lv/lv/aktualitates/vienojas-par-sadarbibu-konsulte-vispirms-principa-ieviesana> (in Latvian)

^v ILO Approach to Strategic Compliance Planning for Labour Inspectorates. Available at: https://www.ilo.org/labadmin/info/public/fs/WCMS_606471/lang--en/index.htm

^{vi} European Platform tackling undeclared work, Key performance indicators Summary of discussion points Plenary meeting 13 March.

^{vii} Williams (2019), op cit.

^{viii} Ibid.