



European Platform Undeclared Work

**2017 Platform Survey Report:
organisational characteristics of enforcement
bodies, measures adopted to tackle undeclared
work, and the use of databases and digital tools**

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Executive Summary

This report presents the main findings of the first online survey of members of the European Platform Tackling Undeclared Work. A total of 23 Member States responded.

Organisational characteristics of enforcement bodies

Undeclared work covers paid activities that are lawful as regards their nature but are not declared to public authorities so as to evade either payment of taxes, social security contributions and/or labour laws. In three-quarters of Member States, responsibility for these three forms of evasion lies in separate public authorities, with each having separate targets and key performance indicators (KPIs). The outcome is a departmental 'silos' approach, and the lack of a strategic joined-up approach. Only one quarter of Member States have common targets and KPIs across the whole of government and/or one single authority responsible for all aspects of undeclared work. This suggests the potential for mutual learning and developing good practice in relation to common strategic objectives and targets.

The survey reveals considerable heterogeneity across Member States in terms of budget allocation, human resources, inspection activity and detected cases of undeclared work. In some, these are declining, in others increasing and in yet others static.

The degree of involvement of social partners varies markedly across Member States, ranging from no or limited involvement to tripartite models based on mutual information exchange and consultation. Consideration should be given to developing an assessment framework to measure the involvement of social partners, and exploring further their involvement in different Member States.

Measures to tackle undeclared work

Although Article 1 of Decision (EU) 2016/3441 establishing the Platform states "tackling', in relation to undeclared work, means preventing, deterring and combating undeclared work as well as promoting the declaration of undeclared work", this survey reveals that the current focus of Platform members is narrowly upon 'detering' undeclared work using measures that increase the penalties and risks of detection. Approaches to 'prevent' it or 'promote the declaration of declared work' using either (supply- or demand-side) incentives to operate on a declared basis, or indirect measures to align norms and beliefs about engaging in undeclared work with national laws and regulations, remain less commonly used.

The dominant view across Member States is that deterrence measures are the most important type of measure and also the most effective at 'tackling' undeclared work. This survey, however, reveals little ex-ante and ex-post evaluation of policy measures, and an absence of pilot studies. This is hindering the adaptation and transformation of policy approaches away from the current heavy reliance on deterrence measures, and towards a more 'evidence based' policy development approach.

Use of digital tools and databases

Over half (57%) of Member States responding state that each Ministry/enforcement body in their Member State involved in tackling undeclared work has access to a database that allows them to detect potential instances of undeclared work. Moreover, a similar share state that the design and architecture of the ICT-infrastructure is directly related to their targets and KPIs for tackling undeclared work.

However, only 13% of respondents state that the database in their ministry/enforcement authority is inter-operable with other Ministries' databases who are also involved in tackling undeclared work. Only 39% of Member States currently share data across borders. Increasing the sharing of data, and the improvement of existing analytical tools, were the most commonly mentioned requirements to improve the effective use of databases and digital tools.

1. Introduction

This report presents the main findings of the first survey of members of the European Platform Tackling Undeclared Work.

The aim of the Platform Survey was to collect data from each Member State on the organisational characteristics of national enforcement bodies, policy approaches used to tackle undeclared work, and their use of digital tools and databases to do so. In so doing, the survey was intended to provide baseline data against which future reporting of activities can be assessed.

The survey consisted of two elements:

- An online survey, distributed to lead representatives for each Member State, to collect new primary data on a range of topics; and
- An update of the factsheets produced for the launch of the Platform in 2016 - allowing Platform members to amend, update or make additions to the original factsheets.

This report focuses on the responses received to the online survey, which ran between 11 April and 7 July 2017.

1.1. Survey coverage

The survey questionnaire included the following topic areas:

- Organisational characteristics of national enforcement bodies, covering:
 - Target setting and key performance indicators (KPIs) – the organisation, nature and coverage of any targets/KPIs used, and how target setting regimes/targets have changed over time;
 - Budget allocations, human resources and inspection activity – including current and recent changes in responding agencies' budgets, current and recent changes in staffing, the number of inspections undertaken annually and the number of incidences/nature of undeclared work identified; and
 - The role of social partners in tackling undeclared work – and any changes in this involvement over time.
- Measures to tackle undeclared work, including:
 - The types of policy measures applied in each Member State, which are dominant and which are considered to be the most effective; and
 - The use of evaluation (ex-ante and ex-post) and the piloting of new approaches – to inform policy development and practice effectiveness in tackling undeclared work.
- The use of digital tools and databases in tackling undeclared work, including:
 - Access of enforcement authorities to databases to detect undeclared work and inter-operability of databases; and
 - Involvement in cross-border data sharing.

1.2. Responses received

By the final survey deadline, a total of 23 survey responses from Member States had been received.

Of those responding, 15 did so on behalf of the Labour Inspectorate, 4 on behalf of the Ministry of Labour, 2 on behalf of the tax administration, 2 on behalf of the Customs Authority, 1 on behalf of the social security institution and 3 on behalf of 'other' organisations, namely Professional governance of the labour authority, OSH prevention and Ministry of Social Affairs/Department for OSH (multiple responses were allowed).

1.3. Report structure

The remainder of this report is structured as follows:

Section 2 focuses upon the organisational characteristics of the enforcement authorities:

- Section 2.1 presents the findings on the degree to which the fight against undeclared work is joined-up by examining the organisation of target setting and use of key performance indicators (KPIs);
- Section 2.2 presents the survey findings regarding the organisational budget allocations, human resources, inspections, and detected cases of undeclared work;
- Section 2.3 explores the role of social partners;

Section 3 focuses upon the measures used to tackle undeclared work:

- Sections 3.1-3.3 explore the use, importance and perceived effectiveness respectively of a range of policy measures to tackle undeclared work;
- Section 3.4 presents the findings on the use of evaluation and pilot approaches to policy design and implementation;

Section 4 focuses upon the use of digital tools, and reports the use of, and developments in the use of, databases and digital tools in tackling undeclared work.

For the most part, findings are provided at the level of individual Member States. However, in some areas, such as the use of different policy measures to tackle undeclared work, aggregate EU regional groupings are used. These are:

- Western Europe – comprising Belgium, Germany, France, Ireland, Luxembourg, Netherland, Austria and the UK;
- Eastern and Central Europe - comprising Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Croatia, Slovenia and Slovakia;
- Southern Europe – comprising Cyprus, Greece, Spain, Italy, Malta and Portugal;
- Nordic countries – Denmark, Finland and Sweden.

2. Organisational Characteristics of Enforcement Bodies

This section focuses on the organisational characteristics of the enforcement authorities responding to the survey, presenting findings on target setting and the use of key performance indicators; budgets, human resources and inspections to identify cases of undeclared work; and the role of social partners.

2.1. Joining-up the fight against undeclared work: target setting and key performance indicators (KPIs)

Although there is no official definition of undeclared work, the working definition widely adopted across the European Union (EU) is that undeclared work involves “*any paid activities that are lawful as regards their nature but not declared to public authorities, taking account differences in the regulatory systems of the Member States*”.¹ The three key reasons these otherwise lawful activities are not declared are to evade:

- Payment of income, value added or other taxes;
- Payment of social security contributions; and
- Certain legal labour standards, such as minimum wages, maximum hours, safety standards, etc.²

In most Member States, separate departments take responsibility for each of these three aspects of evasion, namely tax administrations for tax non-compliance, social security institutions for social insurance non-compliance and labour inspectorates and/or ministries for labour law violations.

The result, as displayed in Table 1, is that **only a quarter of Member States responding have a ‘joined-up’ strategic approach** with one set of national targets for tackling undeclared work common across the whole of government, implemented by a single agency or institution which is responsible for tackling all these facets of undeclared work. Examples include the Financial Control of Undeclared Work Unit (FKS) in DE, and the Shadow Economy Combating Board in LV.

Table 1. How are the national targets for tackling undeclared work in your Member State best described?

Category	EU28	Western Europe	Nordic nations	East-Central Europe	Southern Europe
Common	26%	29%	33%	33%	0%
Shared	13%	14%	0%	11%	25%
Separate	57%	57%	67%	44%	75%
No response	4%	0%	0%	11%	0%
Total (%)	100%	100%	100%	100%	100%
Total (#)	23	7	3	9	4

¹ European Commission (2007) *Stepping up the Fight against Undeclared Work*. Brussels: European Commission.

² If there are additional differences, it is not undeclared work. If the goods and services provided are unlawful (e.g., the production or trafficking of drugs, firearms, persons or money laundering forbidden by law), it is part of the wider criminal economy (i.e., the ‘shadow economy’ is often defined as including both the undeclared economy and criminal economy), and if there is no monetary payment, it is part of the unpaid sphere.

In three-quarters of Member States, therefore, there is no strategic joined-up common set of targets. Instead, the most frequently adopted structure is a departmental 'silos' approach, with each authority responsible for different aspects of undeclared work having its own separate targets.

This fragmentation of responsibilities across different government authorities means that in the vast majority of Member States, and especially in Southern European Member States, **a coordinated and strategic approach towards tackling undeclared work is absent.**

Although responses did not always report their precise strategic objectives/targets for each enforcement authority involved in tackling undeclared work, two key findings nevertheless emerge from the responses provided. Firstly, the strategic objectives and Key Performance Indicators (KPIs) of many enforcement authorities currently **focus upon deterring undeclared work.** In CY, for example, the strategic objective of the Labour Inspectorate is to reduce undeclared work by at least 10% in the next three years. In RO, meanwhile, the strategic objective of the Labour Inspectorate has been to 'diminish the instances of undeclared work'. There is consequently a widespread absence of strategic objectives and KPIs associated with transforming undeclared work into declared work, and this absence, as will be revealed in section 3.1 below, acts to severely curtail the breadth of policy initiatives pursued by enforcement authorities when tackling undeclared work.

Secondly, when comparing similar enforcement authorities across Member States (e.g., labour inspectorates, tax administrations), **few if any adopt the same targets and KPIs with regard to tackling undeclared work.** A useful future mutual learning initiative, therefore, might be for Member States to investigate together: the specific KPIs they currently adopt and why; to learn from others' past experiences of how some types of KPI result in staff engaging in 'gaming' or 'perverse' behaviours deleterious to what they sought to achieve; and through mutual learning to explore the feasibility of developing common 'good practice' in relation to strategic objectives and KPIs across Member States.

2.2. Budget Allocation, Human Resources and Inspections

Respondents were surveyed about their budget allocation, human resources, inspections and levels of detection in relation to undeclared work. Some 17 provided answers relating to the Labour Inspectorate, five answered in relation to another enforcement agency (SI, DE, UK, FI, AT) and one did not state the authority.

2.2.1. Budget allocation

As Figure 1 reveals, most respondents provided the annual budget for their agency, but what is included differs between Member States. For example, Slovenia provided the budget for its entire Financial Administration Department, whilst others state the budget solely for their Labour Inspectorate. Others (e.g., BE, UK) calculate the total budget for all agencies involved in tackling undeclared work.

Figure 1. What is the annual budget allocation for your enforcement agency and how is this allocated such as between investments, staff, etc.?

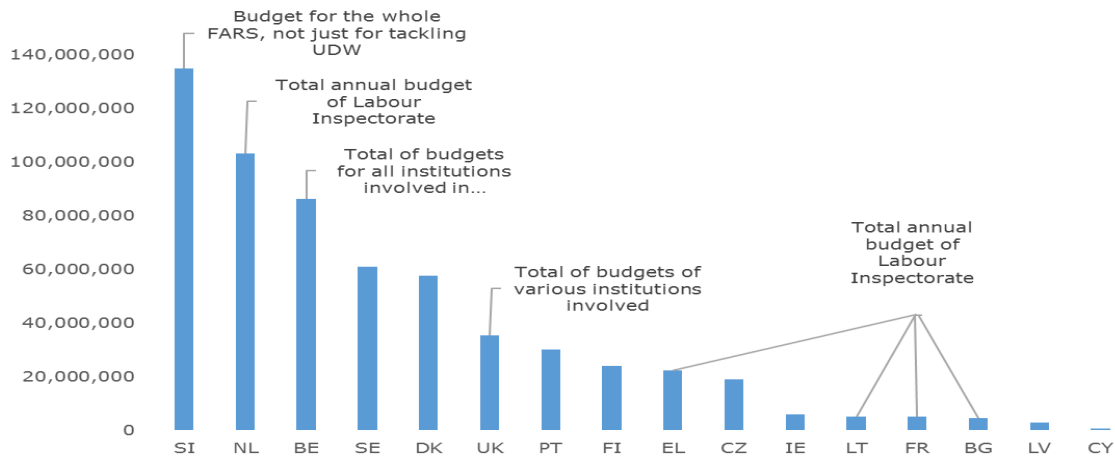
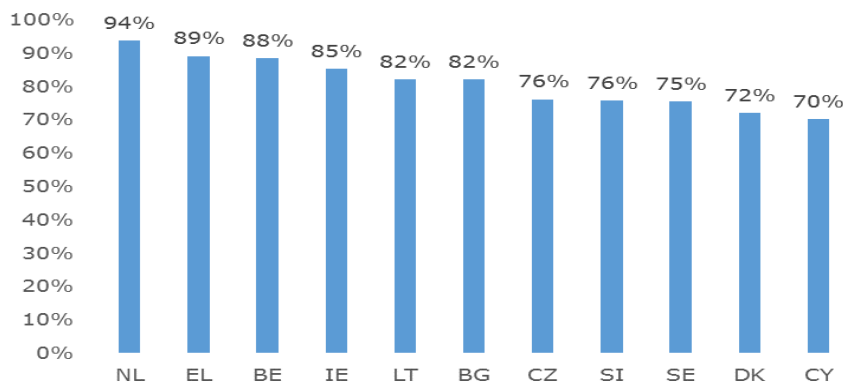


Figure 2 shows that staff costs are the largest component of budgets across all Member States. However, this varies between 94% (NL) and 70% (CY) of the total reported budget.

Figure 2. % of budget for staff and/or wages

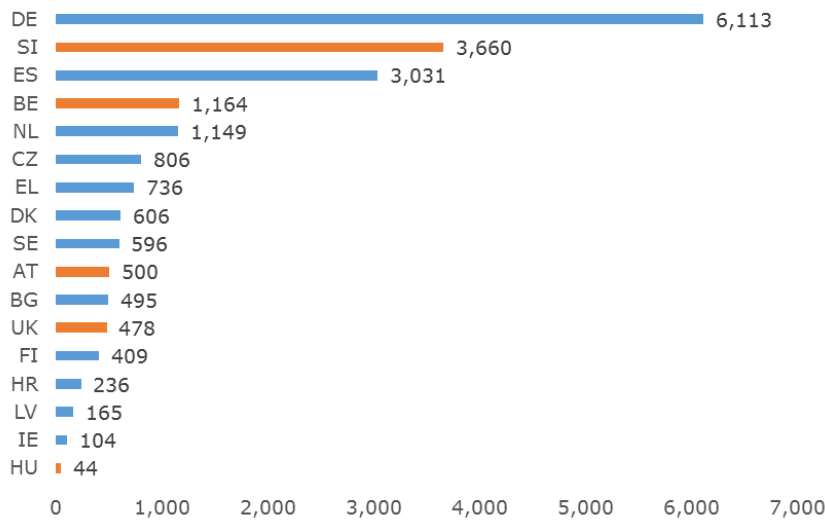


Examining whether the budget had changed in recent years, nine reported that it had, with five reporting an increase and four a decrease, with no common geographical or other patterns prevalent. The only discernible trend is that increases are commonly related to increases in expenditure on ICT-related investments.

2.2.2. Human Resources

As Figure 3 reveals, most respondents reported the number of staff employed in their enforcement agency nationally, but what is included again varies between Member States. Some only reported the number of Labour Inspectors whilst others provided the number of staff across various agencies dedicated to fighting undeclared work. Where Member States provided numbers in an agency other than the Labour Inspectorate, these are highlighted in orange in the figure and elaborated in the notes under the figure.

Figure 3. How many staff are employed in your enforcement agency nationally?



Notes: Those Member States in orange (DE, SI, UK, AT, BE, HU) did not provide information on the total number of staff in the Inspectorate, with the information provided being described below:

DE: All staff in the operating part of the Financial Control of Undeclared Work Unit, the special unit of the Federal customs administration which tackles undeclared work

SI: All staff in its Financial Administration

UK: The sum of staff in agencies that may encounter and deal with cases of undeclared work

AT: The figure provided is an estimate

BE: The sum of staff of the Labour Inspectorate and other relevant agencies

HU: Only central staff (excluding Labour Inspectors who are decentralised)

Figure 4 shows the number of labour inspectors in the Labour Inspectorate, where this figure was provided. This shows that France has the highest number of Labour Inspectors and Cyprus the fewest, which is not unexpected considering their population sizes.

Figure 4. Total number of Labour Inspectors

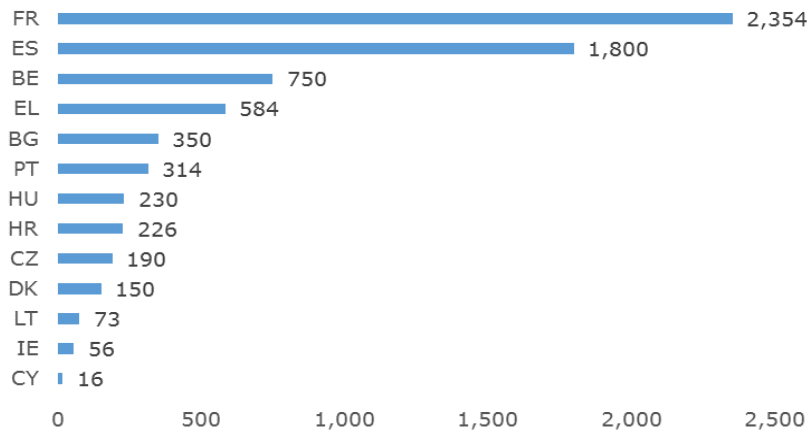
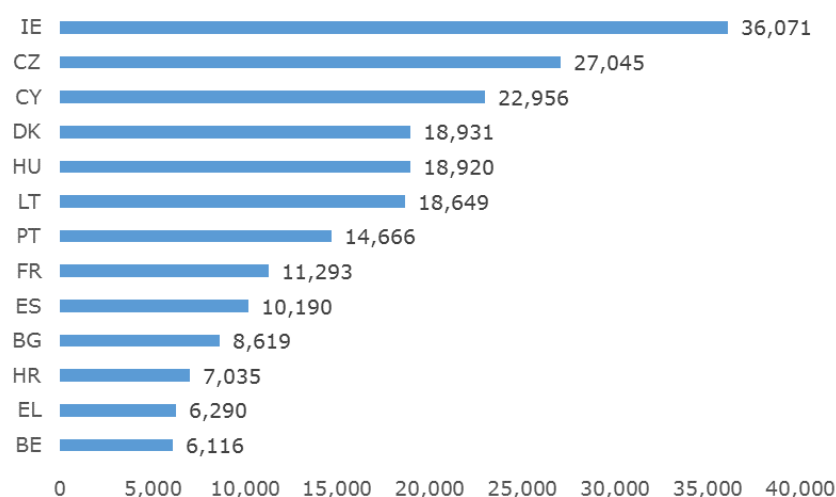


Figure 5 therefore shows the number of labour inspectors by the number of employed people per labour inspector. This displays that the number of employed people per Labour Inspector ranges from 36,071 (IE) to 6,116 (BE), with a mean of 15,906 employees per inspector and a median of 14,666 employees per Inspector.

Figure 5. Employed persons per labour inspector



Respondents were also asked whether they had seen any changes in the number of staff in the past three years. Of the 12 Member States that answered, there are no clear general trends. Six Member States had experienced no change, four a decrease, and two an increase in staff numbers. A similar picture arises when analysing changes in the number of staff dedicated to tackling undeclared work. Of the 15 Member States responding, eight had witnessed no change, five a decrease and two an increase.

2.2.3. Inspections

When reporting data on inspections, as Table 2 displays, some Member States report all inspections (e.g. including health and safety inspections), some only on inspections relating to undeclared work, some both, and some did not define the type of inspection reported.

Table 2. Type of inspection reported

Definition	#	Member States
Not defined	9	SI; BG, SE; IE; HU; CY; PT; SK; AT
Total inspections	4	LT; FR; FI; LV
Undeclared work inspections	3	ES; EL; HR
Sum of inspections of some relevant agencies	2	UK; BE
Other definitions	3	CZ (Legality of employment inspections); DE (Number of inspections on companies) DK (Social dumping inspections); NL (Inspections into underpayments, illegal employment and other inspections relating to employment laws and the enforcement thereof)

As Figure 6 reveals, Spain has the highest number of inspections and this relates only to undeclared work inspections, while the UK, which reports the lowest number of inspections, again only refers to total inspections of undeclared work by the relevant agencies.

Figure 7, meanwhile, reports the number of inspections per inspector. However, as reported in Figure 3, the coverage of enforcement agency staff reported varied considerably, as did the number of Labour Inspectors as shown in Figure 4. Hence Cyprus has the most inspections per inspector, although the definition of an inspection is not provided, while the number of inspectors in post is the lowest reported. Conversely, the lowest number of inspections per inspector is for the UK, but again what constitutes an inspection is not defined other than that this is the sum of

inspections of relevant agencies. Caution is therefore required when analysing these data.

Figure 6. Number of inspections

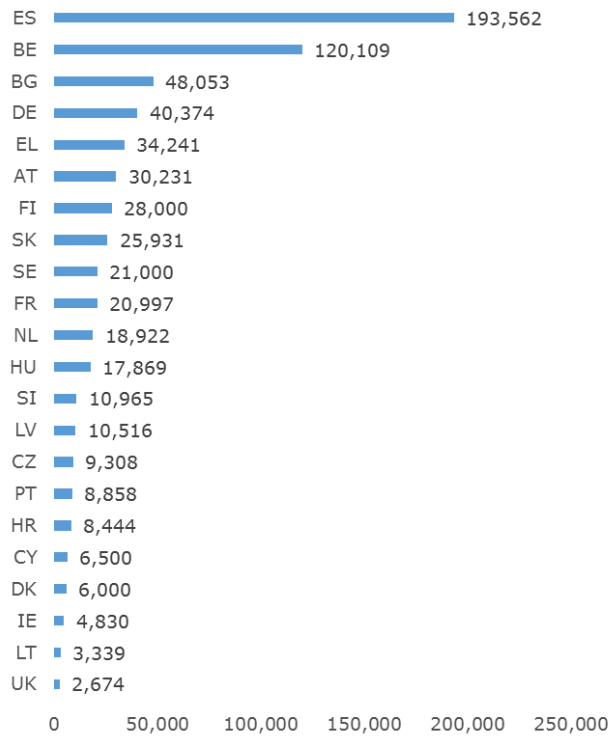


Figure 7. Inspections per Inspector

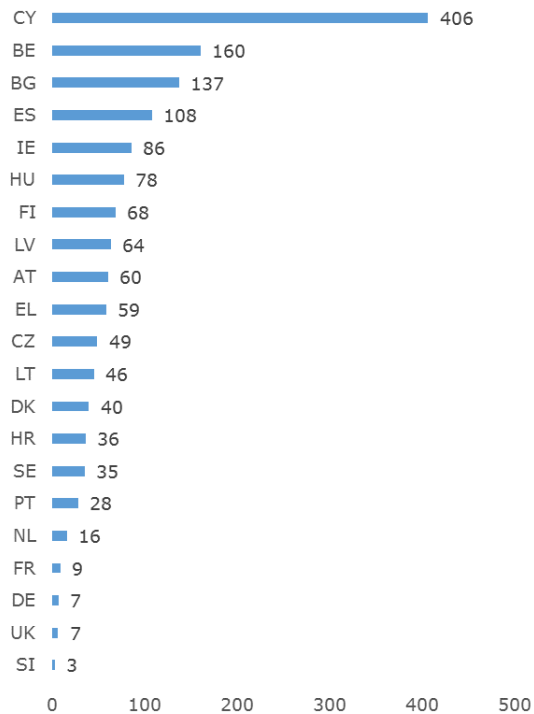


Figure 8 reports the annual number of cases detected of undeclared work from these inspections. Member States did not always define what constituted a detected case of undeclared work. Some differentiated between declared and detected cases, and others gave the number of court cases, making comparisons difficult.

Figure 8. Number of detected cases (latest year available)

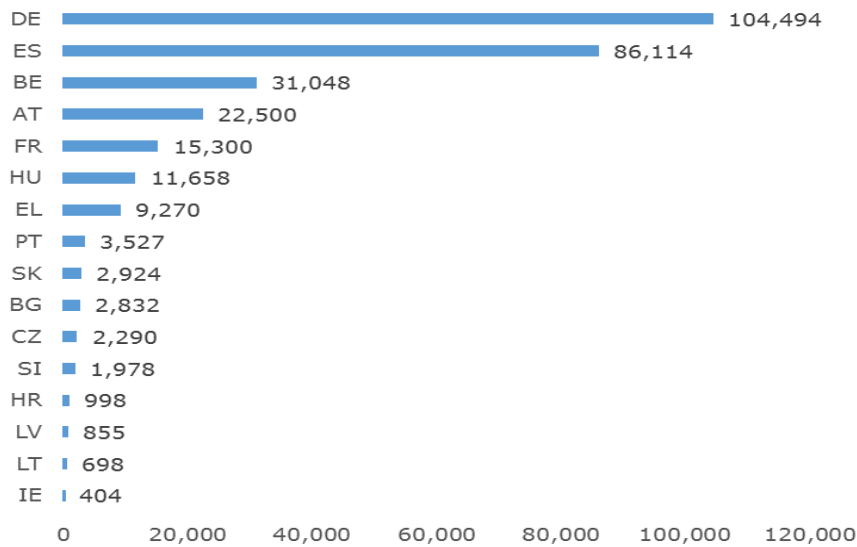


Figure 9 presents whether the number of detected cases of undeclared work reported have increased or decreased between 2014 and 2016. The most notable increase in detected cases has been in Greece, which saw a 50% increase in its number of detected cases, while at the other end of the spectrum Ireland saw a 33% decrease.

Figure 9. % change in detected cases of undeclared work, 2014 to 2016



Notes: changes are for 2014 to 2016 except for Slovenia (2015 to 2016) and Spain (2014 to 2015). Data for Croatia was provided for as far back as 2012: change from 2012 to 2016 has been added as a grey bar.

2.3. The Role of Social Partners

It is not solely a lack of joined-up government that is apparent (see section 2.1), but also joined-up governance. Even if most Member States indicate that they work together with social partners to some extent when tackling undeclared work, East-Central European Member States work with social partners less so than other EU regions. Below we provide a summary of the representatives' responses:

Little or no involvement: Slovenia, the Czech Republic, Lithuania and Hungary say they do not include social partners. Croatia indicates social partners can send complaints to the inspectorate and the inspectorate will then follow up.

Some involvement: Respondents from Latvia and Slovakia indicate social partners are involved in some amendments to legislation, but this is a general procedure. The Latvian government has also cooperated with social partners somewhat during awareness raising campaigns. In Slovakia, social partners may submit proposals related to undeclared work. Germany notes it works together with social partners and exchanges information with them on undeclared work, and that such cooperation helps with the acceptance of the state measures to combat undeclared work.

Social partners are involved/tripartite model, but no further information is provided on how this works in practice: This is the case for Ireland, Denmark, Cyprus, the Netherlands and Sweden.

Social partners are involved/tripartite model, but the onus is on sharing information: This is the case in the UK, Portugal (since 2014) and France. In these countries, there are tripartite meetings or organisations in which there is an exchange of information or ideas. For example, in the UK relevant government departments have Memoranda of Understanding with social partners and attend meetings together. The UK government provides the social partners with information and social partners can make complaints which will be followed up. Social partners are also active in providing training on what constitutes forced labour. In Portugal and France, the government works closely with social partners in raising awareness and prevention.

Social partners are involved/tripartite model and the onus is on mutual exchange of information and consultation: This is the case in Bulgaria, Spain, Belgium, Greece, Finland and Austria. Here, cooperation is institutionalised and includes social partners providing advice to government. For example, the Bulgarian respondent points out social partners are responsible for doing research and providing advice. In Spain, Greece and Austria, there are tripartite cooperative agreements or committees in which social partners provide advice. In Belgium and Finland, there are (sectoral) collective agreements in place which are implemented by government agencies and are followed up (BE) or enforced (FI) by the social partners.

These qualitative results display marked variations in the degree of involvement of social partners in the fight against undeclared work across Member States. Producing an assessment framework for measuring the involvement of social partners, and also gathering social partner views on their degree of involvement in different Member States, appears necessary.

3. Measures to Tackle Undeclared Work

Respondents were asked to identify the type of measures deployed in tackling undeclared work in their countries, which were deemed most important and which were most effective.

3.1. Policy measures applied to tackling undeclared work

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

On the one hand, there are **'direct' policy measures to increase the power of authorities**. These transform undeclared work into declared work by ensuring that the benefits of declared work outweigh the benefits of undeclared work. This is accomplished either by increasing the costs of undeclared work using deterrence measures that raise the penalties and risks of detection ('sticks') and/or by making the conduct of declared work more beneficial and easier using incentives ('carrots'). These incentives can be preventative to encourage citizens to choose declared work or curative to incentivise citizens, workers and businesses to make the transition from the undeclared to the declared realm. They can either be supply-side incentives targeting businesses and workers in the undeclared economy, or demand-side incentives targeting their customers with rewards for using declared goods and services.

On the other hand, there are **'indirect' policy measures to increase trust in authorities**. These recognise that citizens and businesses are not just rational economic actors (purely calculating the costs and benefits). They are also social actors engaging in undeclared work when formal institutional failings lead them to adopt norms and beliefs about 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. Indirect measures therefore seek to repair the social contract between the state and its citizens. This is pursued either by changing norms, values and beliefs regarding the acceptability of undeclared work, so that they are in symmetry with the laws and regulations, and/or by resolving 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. Firstly, this can involve modernising formal institutions to improve the perceptions of procedural and distributive fairness and justice, so as to improve trust in government. Secondly, it can involve tackling the structural conditions that lead to populations being more likely to engage in undeclared work.

Table 3 reports the current range of policy measures used at the EU28 level. This reveals that **deterrence measures are used in nearly all the Member States responding** (especially penalties and workplace inspections) and the only deterrence measures not widely used are mandatory IDs in the workplace and the use of supply chain responsibility. However, **incentives to make declared work beneficial and easier are less commonly used**, with supply-side incentives (especially the simplification of procedures) being more commonly used than demand-side incentives (which are only used by a quarter to one third of Member States). Meanwhile, **indirect measures to raise awareness about the costs of undeclared work and benefits of declared work are fairly common** across the EU, although greater emphasis is put on campaigns which highlight the costs of undeclared work whilst fewer campaigns emphasise the benefits of declared work. Measures to modernise enforcement authorities in terms of the degree to which customers believe they have been treated in a respectful, impartial and responsible manner are currently pursued by less than half of all Member States.

Comparing the policy measures used in different EU regions, Table 3 reveals that although deterrence measures are widely used across all EU regions, the range of

measures used is relatively narrower in Southern Europe. Meanwhile, West European and Nordic nations more commonly use supply- and demand-side incentives than Southern and East-Central European nations, exemplified by the widespread use of formalisation advice to start-ups and formalisation support services to existing businesses in Western Europe and Nordic nations but such services are far less common in Southern and East-Central Europe. This suggests that Southern and East-Central European Member States might consider using a wider range of supply- and demand-side incentives. Indirect measures, meanwhile, are very prevalent in Nordic nations but less common in Southern and Western European countries and when used, they tend to focus upon the costs of undeclared work rather than the benefits of declared work, with only 29% of West European Member States for example informing suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent). Modernising enforcement authorities by treating customers in a respectful, impartial and responsible manner is again more common in Western Europe and Nordic nations than in Southern and East-Central Europe. Annex 1 summarises the enforcement agencies most often assigned responsibility of implementing each of these policy measures both in the EU as a whole and in each of the four EU regions.

Table 3. *Current Policy Measures Used: % of Member States using policy measures, 2017*

POLICY MEASURE	EU 28 (N=23)	Western Europe (N=7)	Nordic (N=3)	East-Central Europe (N=9)	Southern Europe (N=4)
DIRECT DETERRENCE MEASURES					
Penalties					
Use of penalties and fines for companies	96%	100%	100%	89%	100%
Use of penalties and fines for purchasers	43%	71%	67%	33%	0%
Use of 'blacklists'	35%	57%	0%	33%	25%
Measures to improve detection					
Data matching and sharing	96%	100%	100%	89%	100%
Workplace inspections	100%	100%	100%	100%	100%
Registration of workers prior to starting work or on first day/week of work	87%	71%	67%	100%	100%
Coordination of strategy on undeclared work across government departments	83%	86%	100%	89%	50%
Coordination of operations across government departments (e.g., joint operations/workplace inspections)	87%	100%	100%	78%	75%
Coordination of data mining and sharing across government departments	83%	100%	100%	78%	50%
Use of peer-to-peer surveillance (e.g. telephone hotlines to inform about abuses/cases??)	87%	86%	100%	100%	50%
Certification of business, certifying payments of social contributions and taxes	74%	86%	67%	78%	50%
Use of mandatory ID in the workplace	48%	71%	67%	44%	0%
Supply chain responsibility	43%	71%	0%	44%	25%
DIRECT INCENTIVES					
Supply-side incentives					
Simplify procedures for complying to	78%	86%	100%	56%	100%

existing regulations					
Society-wide amnesties	17%	14%	0%	22%	25%
Individual-level amnesties for voluntarily disclosing undeclared activity	17%	29%	0%	11%	25%
'Formalisation' advice to start-ups	65%	86%	100%	56%	25%
'Formalisation' support services to existing businesses	61%	86%	100%	44%	25%
Direct tax incentives (e.g., exemptions, deductions)	65%	71%	67%	67%	50%
Targeted VAT reductions	43%	43%	67%	44%	25%
Provide free record-keeping software to businesses	9%	14%	33%	0%	0%
Provide fact sheets on record-keeping requirements	43%	43%	100%	44%	0%
Provide free advice/training on record-keeping	48%	57%	33%	44%	50%
Demand-side incentives					
Service vouchers	26%	43%	33%	11%	25%
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	35%	43%	67%	33%	0%
Targeted indirect taxes (e.g., VAT reductions)	30%	43%	33%	22%	25%
Initiatives for customers to request receipts (e.g., Lottery for receipts)	26%	14%	33%	33%	25%
INDIRECT MEASURES					
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	83%	86%	100%	78%	75%
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	52%	29%	67%	67%	50%
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	57%	57%	100%	56%	25%
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)	61%	43%	100%	67%	50%
Normative appeals to businesses to operate on a declared basis	48%	57%	67%	33%	50%
Measures to improve the degree to which customers of enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	48%	57%	100%	33%	25%
Measures to improve tax/social contributions/labour law knowledge	78%	86%	100%	67%	75%

3.2. Most important policy measures

Table 3 only shows whether each policy measure is used. It does not capture which policy measures are deemed most important when tackling undeclared work, and are heavily relied upon with greater resources devoted to them, and which measures are

used but are not central and heavily resourced. To understand this, Platform members were asked to rank the most important measures used to tackle undeclared work in their Member State. Table 4 shows that across the EU28, **deterrence measures in the form of penalties are ranked the most important measure** followed by measures to improve detection. This is then followed by the use of supply-side incentives and awareness raising campaigns, whilst **demand-side incentives and measures to change the formal institutions are viewed as least important**.

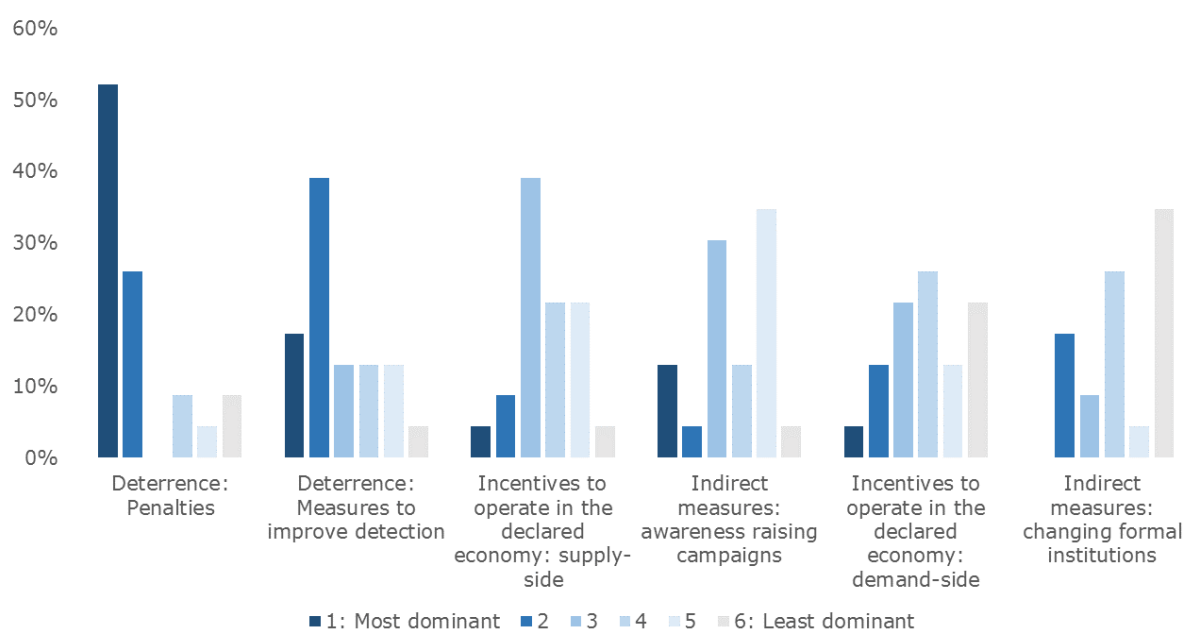
There are, however, differences between EU regions. In Nordic nations, detection measures rather than penalties are ranked as most important, and in Southern Europe as equally most important. In stark contrast, detection measures are ranked the least important measures in East-Central Europe. Instead, far greater emphasis in East-Central Europe is put on indirect measures including both awareness raising campaigns to change norms, values and beliefs and the modernisation of formal institutions.

Table 4. Platform members' views of the relative importance attached to different types of policy measures in their Member State: from most dominant (1st) to least dominant (6th)

Type of policy measure	EU28	Western Europe	Nordic nations	East-Central Europe	Southern Europe
Deterrence: Penalties	1	1	2	1	1
Deterrence: Measures to improve detection	2	2	1	6	1
Incentives to operate in the declared economy: supply-side	3	4	3	4	4
Incentives to operate in the declared economy: demand-side	5	5	4	5	5
Indirect measures: awareness raising campaigns	4	3	5	3	3
Indirect measures: changing formal institutions	6	6	6	2	6

Figure 10 shows the distribution of rankings across all respondents for each type of measure. A legend is provided under the table. The higher rankings are coloured dark to easily distinguish the measures ranked most important. Measures that are generally found more important slope down (e.g. deterrence: penalties) and those considered less important slope up (e.g. incentives to operate in the declared economy: demand side). This further emphasises the dominance of deterrence measures, especially penalties, as the set of policy measures considered most important.

Figure 10. Distribution of rankings (importance) for each type of measure



3.3. Perceived effectiveness of policy measures

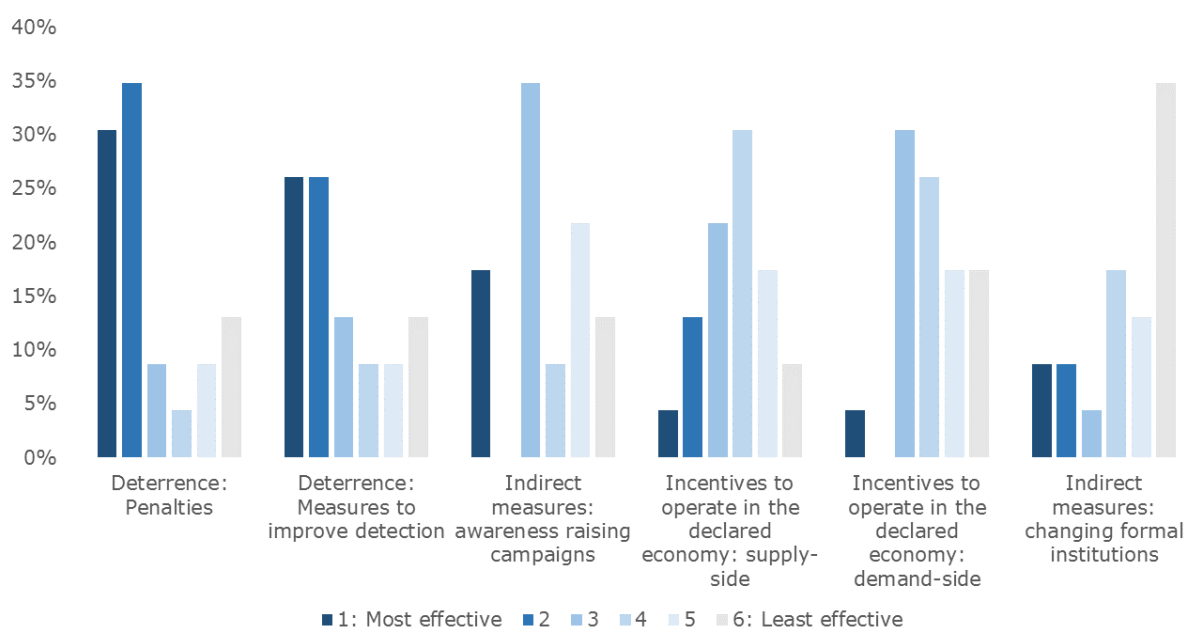
Not only are deterrence measures deemed the most important type of measure to tackle undeclared work but also the most effective across the EU28. As Figure 5 displays, Western European countries and Nordic nations rank penalties as most effective and measures to improve detection 2nd most effective. Southern European countries rank penalties 2nd most effective and measures to improve detection 1st. East-Central European countries rank penalties 3rd, awareness raising campaigns 1st and indirect measures aimed at changing formal institutions 2nd most effective (which are seen by other Member State groups as the least effective).

Table 5. Type of policy measures Platform members view as most and least effective in their Member State: rank order from most effective (1st) to least effective (6th)

Type of policy measure	EU28	Western Europe	Nordic nations	East-Central Europe	Southern Europe
Deterrence: Penalties	1	1	1	3	2
Deterrence: Measures to improve detection	2	2	2	4	1
Incentives to operate in the declared economy: supply-side	4	4	2	5	3
Incentives to operate in the declared economy: demand-side	5	4	4	5	5
Indirect measures: awareness raising campaigns	3	3	5	1	4
Indirect measures: changing formal institutions	6	6	6	2	6

Figure 11 shows the distribution of rankings across all respondents for each of the type of measures for effectiveness, in the same way as Figure 10 did for importance. This again clearly shows that deterrence measures in general, and penalties in particular, are widely considered the most effective measures for tackling undeclared work.

Figure 11. Distribution of rankings (effectiveness) for each type of measures



3.4. Implications of findings

The clear intimation, therefore, is that despite widespread recognition of the need to shift from eradicating undeclared work to transforming undeclared work into declared work, many Member States remain entrenched in a deterrence approach that seeks to stamp out undeclared work, and place little emphasis on measures that seek to transfer undeclared work into the declared economy. The relative lack of importance attached to the use of non-deterrence measures, and their perceived ineffectiveness, suggests that even if there is wider recognition that undeclared work needs to be transferred into the declared realm, this does not appear to have yet translated into the policy approaches and measures of enforcement authorities.

This might be in major part due to the lack of a strategic coordinated approach in many Member States, and result from a fragmented departmental 'silos' approach, as highlighted in section 2.1. Many enforcement authorities appear to have not yet adopted strategic objectives which recognise that the intention should be to transform undeclared work into declared work.

In article 1 of Decision (EU) 2016/3441 establishing the Platform, however, it is stated that "tackling", in relation to undeclared work, means preventing, deterring and combating undeclared work as well as promoting the declaration of undeclared work'. Until now, however, the Member States remain narrowly focused upon deterring rather than 'preventing' undeclared work, and 'promoting the declaration of undeclared work'. Until the enforcement authorities begin to widen their strategic objectives, not least to conform to the EU2020 employment target of a 75% employment rate, the European Council decision (2015/1848) guideline no. 7 for employment policies, recommendation 204 of the ILO, and the above stated objective of the European Platform, which recognises that preventing undeclared work and promoting declared work are necessary, then it seems likely that the policy approaches and measures used will remain narrowly confined to deterrence measures.

3.5. The Use of Evaluation and Pilot Studies

At the December 2016 Holistic seminar, the consensus of the seminar participants was that deterrence measures continue to dominate for two major reasons. On the one hand, there was a strong view among Platform members and observers that non-deterrence measures are a more long-term approach and do not provide the 'quick wins' required, and that this therefore constrained the resources devoted to them. On

the other hand, the issue was raised that there was a lack of evaluation of these non-deterrence policy approaches and measures, and this acted as a barrier to their adoption. Although evaluations of deterrence measures show that they can either reduce, have no effect, or even increase, undeclared work, at least there are some evaluations, even if they are often relatively out-of-date. There was thus a view that the lack of evaluation of the effectiveness of these non-deterrence policy measures hindered the adaptation and redirecting of approaches towards these non-deterrence measures.³

The survey responses reinforce the views raised at the holistic seminar. There is little ex-ante and ex-post evaluation of policy measures, and few pilot studies are conducted to evaluate the effectiveness of policy measures at tackling undeclared work. Indeed, of the 23 Member States responding to the survey, most did not answer the question of whether they conducted evaluations of policy measures or used pilot studies. This may be because they do not conduct evaluations or use pilot studies.

Only seven out of 23 respondents (30%) provided examples of ex-ante evaluations of policy measures (AT, BG, ES, FI, HU, PT, UK). Four provided some information on how this ex-ante evaluation was conducted:

- By open consultations and/or surveys (BG, ES, UK);
- By inputting findings from the ex-post evaluation of the previous annual Work Programme into the ex-ante evaluation for next year's annual Work Programme (ES); and
- By using statistics from previous years (HU).

Five of the 23 respondents (22%) provided examples of ex-post evaluations or simply said ex-post evaluations were undertaken (AT, ES, FR, PT, UK). In addition, Bulgaria mentioned it planned to undertake an ex-post evaluation of a measure in the near future. The only detail provided was by Spain, which discussed its yearly ex-post evaluation of its annual Work Programme.

Turning to pilot studies of policy measures, seven out of 23 (30%) respondents provided examples of such pilot studies (AT, BE, EL, ES, IE, PT, UK).

In sum, ex-ante and ex-post evaluation of policy measures, and the use of pilot studies to evaluate the effectiveness of policy measures, do not seem to be used widely. Notably absent from the list of countries providing examples are Nordic nations (only Finland gave an example of an ex-ante evaluation). Considering the number of East-Central European countries, this group also provided few examples (only two gave examples of ex-ante evaluation studies and only one of a pilot study). If there is to be a transition from the current situation where deterrence measures are assumed to be the most important and effective type of policy measure, and towards a more evidence-based holistic policy approach, it will be important for the Platform to not only collate the evaluations that have been conducted but also to facilitate mutual learning across Member States of the benefits of conducting ex-ante and ex-post evaluations, and using pilot studies to evaluate the effectiveness of new types of policy approach.

³ Williams, C.C. (2017) *Developing a Holistic Approach for Tackling Undeclared Work: a learning resource*, European Commission, Brussels

4. The Use of Databases and Digital Tools

Respondents were asked to describe the use of databases and digital tools in their Ministries and/or enforcement bodies involved in tackling undeclared work.

4.1. Access to data

Some 57% of respondents stated that each Ministry/enforcement body in their Member State involved in tackling undeclared work has access to a database that allows them to detect potential instances of undeclared work. Some 39% stated that this was not the case and 4% did not answer.

The responses vary by EU region. Some 78% of East-Central European Member States indicate that each ministry/enforcement body involved has access to such a database, whilst in Nordic nations only 33% state that this is the case.

In all countries, with the exceptions of Germany, Croatia and Finland, the data is available to all relevant levels of the organisation, including inspectors.

4.2. Using data to improve performance

Again, 57% of respondents indicate that the design and architecture of the ICT-infrastructure is directly related to their targets and KPIs for tackling undeclared work. This is not similarly the case in the Nordic nations, where only Sweden agreed; Denmark and Finland did not.

When asked 'How is the data-base used to improve the performance of your enforcement agency? (e.g., is it used to identify targets for inspections?)', most respondents indicated it does help them to better target inspections. Some countries also mention other purposes:

- Better planning of activities (AT, ES, HR, HU, CZ, LV);
- Better monitoring of (open) cases (CZ, LV);
- Compiling relevant statistics (HU, IE); and
- To evaluate inspections (EL).

4.3. Sharing data

Only 13% of respondents state that the database in their ministry/enforcement authority is inter-operable with other Ministries databases also involved in tackling undeclared work (Belgium, Estonia and Latvia). Some 75% state this is not the case and 13% did not respond. No variations exist across the EU regions.

Although their databases are generally not inter-operable, 70% state that they share their data with other government departments, sometimes directly via the database but more usually not directly from the database.

Respondents from the Czech Republic, Croatia and Lithuania indicate that their enforcement authority does not share data with anyone at the moment. The Czech Republic does share certain information about illegal employment to the Ministry of Labour and to social partners. Croatia is looking to share data in the future but for now cites IT problems and data security concerns as reasons for not currently sharing data. Cyprus is not sharing data because of cost considerations related to modifying existing systems. In addition, current legislation does not allow it. The Swedish representative also indicates a change in the law is required for it to improve information flows, although it already shares data across departments. Finally, the Lithuanian respondent cites issues of incompatibility making it impossible to share data with other government departments.

4.4. Cross-border data sharing

Most countries do not share data across borders. Only 39% of Member States do so. By region, Nordic nations are more likely to share data across borders (two out of three), while only 33% of East-Central European Member States do so.

Examples of cross-border data sharing include: bilateral cooperation such as between the Finnish and Estonian workplace health and safety authorities, cooperation between Latvia and Estonia or Lithuania, a longstanding bilateral Ireland/UK cooperation, and multilateral cooperation via IMI system.

4.5. Improvements in databases and digital tools

Respondents were also asked about planned improvements to databases and digital tools.

Firstly, they were asked what would be needed to improve the effectiveness of databases and digital tools. Those that replied mentioned:

- General improvement of existing analytical tools (HR, ES, FI, IE, SE);
- Need for more funding (HU, LT, LV);
- More sharing of data (EL, FR, PT);
- Improvements to the quality of existing data and increased use of new data (UK);
- Establishment of data collection routines (SE);
- Increased access to data for various parties (EL); and
- Changes in legislation (FI).

Respondents mentioned various planned improvements:

- New information systems that will aid tackling undeclared work are being developed and implemented (CY, IE, HU, LT, SK);
- The development of analytical tools (DE, LT, SI, UK);
- Facilitating data linking or sharing between departments (FR, EL, ES, LV);
- Improving data and tools (HR);
- Sweden is implementing a new tool which will help follow up on undeclared work; and
- Portugal is consulting with partner organisations how to improve its data and tools.

Over half the respondents either did not see much change over time related to the use of databases and digital tools (BE, NL, HR, LT, EE, PT), or did not respond (BG, CY, CZ, DE, DK, FI, HU, LV). Those that had seen changes mention the following:

- Slovenia: Development in the last two years of capacity in fraud management and predictive analytics;
- Austria: Development (implementation ETA 2018) of a common social fraud database accessible to many institutions;
- Greece: Creation and implementation of integrated IT system;
- Spain: Implemented the Antifraud Tool Unit and imported data from other bodies;
- France: Implementation of SIPSI (online service for declaring posted workers);

- Ireland: Implementation of new inspections case management and monitoring system (in real time), implementation of new departmental websites with better information as well as better use of social media;
- Slovakia: Increased data sharing from Social Insurance Agency to Labour Inspectorate;
- Sweden: development of ways for inspectors to report undeclared work issues; and
- UK: recruited more data analysts.

Annex 1

Table A1 Enforcement authority most often assigned responsibility for deterrence measures

Deterrent	EU 28	Western Europe	Nordic Nations	East-Central Europe	Southern Europe
Penalties					
Use of penalties and fines for companies	LI	LI	Tax	LI	LI
Use of penalties and fines for purchasers	LI	LI	LI	LI	N/A
Use of 'blacklists'	LI	Tax	N/A	LI	LI
Measures to improve detection					
Data matching and sharing	LI	LI	Tax	Tax	LI
Workplace inspections	LI	LI	LI	LI	LI
Registration of workers prior to starting work or on first day/week of work	Tax	Tax and LI	Tax	Tax	LI
Coordination of strategy on undeclared work across government departments	LI	LI	LI	Other ministry	LI
Coordination of operations across government departments	LI	LI	LI	LI	LI
Coordination of data mining and sharing across government departments	Tax	Tax	Tax	Tax	LI
Use of peer-to-peer surveillance	LI	LI	LI	LI	LI
Certification of business, certifying payments of social contributions and taxes	Tax	Tax and customs	Tax	Tax	N/A
Use of mandatory ID in the workplace	LI	LI	Tax and LI	LI and other ministry	N/A
Supply chain responsibility	LI	LI	N/A	Tax and LI and other ministry	N/A

Table A2 Enforcement authority most often assigned responsibility for incentive measures

Incentive	EU 28	Western Europe	Nordic Nations	East-central Europe	Southern Europe
Supply-side measures					
Simplify procedures for complying to existing regulations	Tax and LI	Tax and other ministry	Tax	Other ministry	LI
Society-wide amnesties	Tax and LI	LI	N/A	Tax and other ministry	N/A
Individual-level amnesties for voluntarily disclosing undeclared activity	Tax	Tax and LI	N/A	Tax	N/A
'Formalisation' advice to start-ups	Other ministry	Other ministry	Tax and LI	Other ministry	LI
'Formalisation' support services to existing businesses	Other ministry	Other ministry	Tax and LI	Other ministry	LI
Direct tax incentives	Tax	Tax	Tax	Tax	N/A
Targeted VAT reductions	Tax	Tax	Tax	Tax	N/A
Provide free record-keeping software to businesses	Tax and LI	Tax	LI	N/A	N/A
Provide fact sheets on record-keeping requirements	LI	Tax and LI	Tax and LI	Tax and LI	LI
Provide free advice/training on record-keeping	LI	Tax and LI	N/A	Tax and LI	LI
Demand-side measures					
Service vouchers	Tax and other ministry	Other ministry	N/A	Tax	N/A
Targeted direct tax incentives	Tax	Tax	Tax	Tax	N/A
Targeted indirect taxes	Tax	Tax	Tax	Tax	Tax
Initiatives for customers to request receipts	Tax	Tax	Tax	Tax	Tax

Table A3 Enforcement authority most often assigned responsibility for indirect measures

Incentive	EU 28	Western Europe	Nordic Nations	East-central Europe	Southern Europe
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	LI	LI	LI	Tax	LI
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work	Tax	Tax and LI	Tax and other ministry	Tax	LI
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	Tax	LI and other ministry	Tax and LI and other ministry	Tax	Tax
Campaigns to inform users of undeclared work of the benefits of declared work	Tax	N/A	Tax	Tax	LI
Normative appeals to businesses to operate on a declared basis	Tax	Tax	Tax	LI	Tax
Measures to improve the degree to which customers of enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	LI	LI	Tax and LI	Other ministry	LI
Measures to improve tax/social contributions/labour law knowledge	LI	LI	Tax	Tax and LI and other ministry	LI