



European Platform Undeclared Work

**Fourth Plenary meeting of the
European Platform tackling
undeclared work**

**Final report on a preventative approach,
focusing upon service vouchers and
awareness raising**

March 2018

1 Introduction

The fourth Plenary meeting of the European Platform Tackling Undeclared Work was held in Brussels on 8-9 March 2018. The first day of this meeting was dedicated to the topic of the preventative approach towards tackling undeclared work, with a focus upon service vouchers and awareness raising. This report summarises the discussions at the meeting, drawing also on the forthcoming study on this topic which has been developed as part of the Platform’s work programme.¹

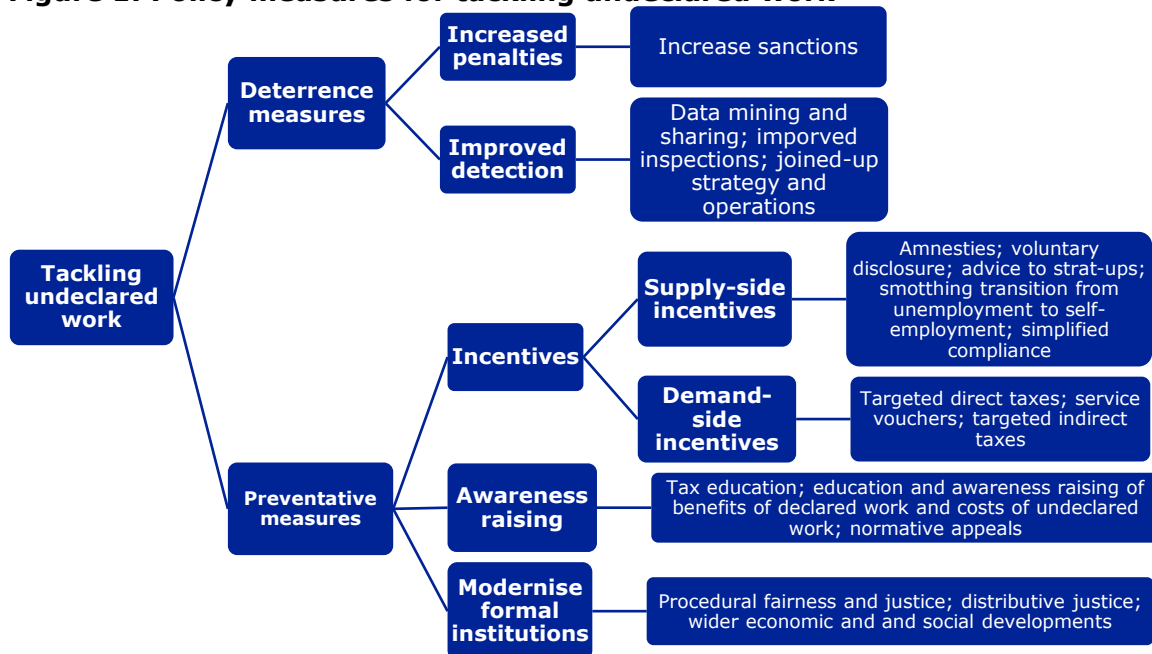
2 Rationales for a preventative approach

Article 1 of the legal decision (EU) 2016/3441 establishing the Platform states that “tackling”, in relation to undeclared work, means preventing, deterring and combating undeclared work as well as promoting the declaration of undeclared work’.

There is therefore a recognition of the need to shift away from the current focus upon resolving non-compliance after it has occurred, and towards preventing the problems arising in the first place. By Member States relying primarily on deterrence measures, which seek to penalise offenders and improve their risk of detection to eradicate undeclared work, they simply deal with the effects. They do not prevent undeclared work from happening and enable the shift of work from the undeclared to the declared economy. Combining deterrence measures with preventative measures, therefore, is a requirement to shift towards ‘promoting the declaration of undeclared work’.

As recital 12 of the decision (EU) 2016/3441 states, ‘Tackling the complex problem of undeclared work ... requires a holistic approach’. The first event held by the Platform defined this as an approach which ‘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’.² Figure 1 summarises the full range of policy measures available to Member States.

Figure 1: Policy measures for tackling undeclared work



¹ Based on a forthcoming study ‘Elements of a preventative approach towards undeclared work: an evaluation of service vouchers and awareness raising campaigns’ by Colin C Williams, University of Sheffield.

² Williams, C.C. (2017) *Developing a Holistic Approach towards Undeclared Work*, European Commission, Brussels.

This displays that preventative measures are of four broad types:

- (1) **Supply-side incentives** that promote the declaration of undeclared work by making the conduct of declared work more beneficial and easier for employers and workers (e.g., simplifying compliance; amnesties for voluntary disclosure; direct and indirect tax incentives; formalisation support and advice; help with record-keeping).
- (2) **Demand-side incentives** that target purchasers of undeclared goods and services with rewards for using declared goods and services (e.g., targeting purchasers with direct and indirect tax incentives; **service vouchers**; incentivising electronic payments and deterring cash payments, and incentives for customers to request receipts).
- (3) **Awareness raising campaigns** which promote the declaration of undeclared work by changing norms, values and beliefs about the acceptability of non-compliance.
- (4) **Modernising formal institutions** to modernise governance (e.g., improving procedural and redistributive fairness and justice) and address structural conditions associated with a higher prevalence of undeclared work (e.g., lower levels of social expenditure, lower levels of expenditure on active labour market policies, in effective social transfer systems; greater income inequality).

The 2017 survey of Platform members provides a baseline assessment of the use of preventative measures in EU Member States. The finding is that the current focus of Member States is still heavily upon 'deterring' undeclared work by increasing the penalties and risks of detection. Preventative measures are less commonly used. Neither are they seen as important as deterrents when tackling undeclared work, and nor are preventative measures perceived to be as effective as deterrents at tackling undeclared work.³ This is in major part due to the lack of an evidence-base evaluating the feasibility and effectiveness of preventative measures.

In this Plenary workshop, therefore, and to start to develop the evidence-base on preventative measures, two types of preventative measure were evaluated. On the one hand, a demand-side measure was evaluated which seeks to improve the benefits of, and incentivise, declared work for those who might otherwise purchase undeclared goods and services, namely service voucher schemes. On the other hand, awareness raising campaigns were evaluated which seek to change the social acceptability of undeclared work.

This report of the Plenary workshop summarises the discussions at the meeting. The opening talk charted how the deterrence and preventative approaches had variously dominated at different periods of time and introduced the full range of preventative approaches available for tackling undeclared work.⁴ Following this introductory overview, the meeting focused upon two types of preventative measure, namely the demand-side incentive measure of service vouchers, and the use of awareness raising campaigns.

³ Williams, C.C. and Puts, E. (2017) *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*, European Commission, Brussels.

⁴ Input paper based on the interim results of the forthcoming study 'Elements of a preventative approach towards undeclared work: an evaluation of service vouchers and awareness raising campaigns' by Colin C Williams, University of Sheffield

3. An evaluation of service voucher schemes

In the Plenary workshop, presentations were given of the service voucher schemes used in five Member States, namely Austria, Belgium, Croatia, France, and Italy. The presentations covered service voucher schemes which targeted different areas of work or types of workers. These had varying levels of government subsidy or subvention, all with the aim of reducing undeclared work with varying degrees of success.

In **Belgium**, service vouchers were introduced in 2004, and are used by households to pay for everyday personal services. Each voucher costs €10. An individual can buy 500 vouchers each year or 1000 vouchers for each family (although single parents or mothers returning to work with young children can buy more). Each year, Sodexo (the contractor delivering the scheme) sends users a tax certificate that they can use to claim a 30% tax deduction on the cost of their vouchers. Low income users who do not pay taxes enjoy this benefit through a reimbursable tax credit.

In 2016, 11% of Belgians used vouchers (some 1 million private households) who bought 129 million vouchers from Sodexo. About 3,500 service voucher companies/employers are officially licensed/accredited for delivering these personal and household services. Voucher workers are recruited by these voucher companies/employers. The cost for the voucher company delivering these services is €22/hour. The household pays €10 and the rest (€12) is paid by the regional governments who subsidise the system. The result is that it is cheaper for households to purchase the work officially in the declared economy than to pay undeclared workers to provide these personal and household services. The total cost (subsidy) is €1 billion gross, or €400 million net.

The outcome is that 130,000 official part-time (or 100,000 full-time equivalent) service voucher jobs are created. Some 35% of workers were unemployed before entering the system. The service voucher workers are predominantly women (97%), 54% are low skilled workers, 70% have Belgian nationality and 20% are workers from within the EU28. There has been a continuous increase in demand for voucher workers and there is very high satisfaction rate from the users (88%). Workers are covered by generally binding collective labour agreements. Evaluating its impact on undeclared work, 46% of workers admitted that service voucher work is a way out of undeclared work, and some 25% of users say they would use undeclared work if the system did not exist.

In **France**, service vouchers have an even longer history. The French government introduced the *Chèque Emploi Service* (CES) scheme in 1993, the *Titre Emploi Service* (TES) scheme in 1996 and replaced both these schemes with the *Chèque Emploi Service Universel* (CESU) in 2006. The aim is to combat undeclared work in the domestic services sphere and provide declared employment by simplifying the process for hiring and paying domestic and temporary workers, part-time help and casual labour around the home and garden. Some 1.9 million people employ some 600,000 CESU workers and in the third quarter of 2017, 119 million hours were worked amounting to a total of €1.2 billion. On average, therefore, employers purchase 62 hours on CESU and spend €624.

A study in 2012 by the Oliver Wyman consultancy and commissioned by the Federation of Enterprises Providing Services to Individuals (FESP) found that the development of personal and household services to individuals has been and continues to be strongly supported by the French state (e.g., reduced VAT rates, income tax exemption/reduction, support to voucher system) and that this sector contributes more than €2.6 billion to the public purse. However, these figures relate to all personal and household services, not solely CESU.

Evaluating its impacts on transforming undeclared work into declared work, there is no consensus. A 2011 DARES study for the Ministry of Labour suggests that there is 25% less undeclared work, but 40% less according to a 2013 TNS SOFRES survey and 20% less according to a 2015 CREDOC survey for the Ministry of Economy and Finance.

In **Austria**, a Household Service Cheque Act (*Dienstleistungsscheckgesetz, DLSG*) was introduced in 2005, which, similar to Belgium and France, enables households to pay for everyday personal and household services (e.g. cleaning, babysitting, gardening). It targets voucher workers on low income paid not above the €438.50 monthly marginal income threshold (plus holiday compensation and special payment). With the additional income from vouchers, they can earn up to €600. They tend to be workers aged over 45 years old. When it commenced in 2006, it was a paper-only system. It has been an online system since 2011. The voucher is worth €10 and includes accident insurance.

In 2006, just under 60,000 vouchers were sold. By 2017, this had risen to 337,000 vouchers. The value of the vouchers sold has increased from €900,000 in 2006 to €10 million in 2017, with a sharp increase after it was changed into an online system in 2011.

In **Croatia**, a rather different type of service voucher scheme has been in existence since 2012. This is targeted at agricultural employers as purchasers with the objective of reducing undeclared work in seasonal and occasional work in agriculture. Prior to this scheme, employing seasonal and occasional workers on a declared basis in agriculture was expensive for employers because they were generally required to pay for a full month's work, while the number of actual working days was only a few days (e.g., 5 days). The result was that employers used undeclared work. To simplify temporary and casual employment in agriculture (day work), vouchers were therefore introduced to pay seasonal workers. This scheme entitles the unemployed and pensioners to work up to 90 days per year on various jobs in agriculture.

Some workers' rights are attached to voucher work. The workday can be no longer than 12 hours and the worker is entitled to a minimum 30-minute break in each workday if the work is more than 6 hours per day, and an uninterrupted daily rest period of not less than 12 consecutive hours in each 24-hour period, and an uninterrupted weekly rest period of not less than 24 consecutive hours in each seven-day period. A minimum daily wage paid by an employer to a seasonal worker who performs temporary or casual work in agriculture in 2018 may not be lower than 83.19 KN (€11.24). The price of a voucher also includes social contributions, since the value of the daily voucher includes pension insurance contributions, health and safety at work contributions and employment contributions in 2018 of 23.74 KN (€3.20).

In 2012, a total of 325,295 vouchers were sold to 3,363 legal entities (large employers 27.3%, small and medium employers 72.7%), of which 98.6% were for work in the field of crop production, 1% fisheries and 0.4% animal husbandry. By 2016, a total of 406,595 vouchers were sold to 2,059 legal entities (large employers 25.3%, small and medium employers 74.7%), of which 90.8% were for work in the field of crop production, 6.5% fisheries and 2.7% animal husbandry. Unlike voucher systems in other Member States, in this case no public subvention on the labour cost is provided. The perceived outcome has been a drop in undeclared work in agriculture, measured by the reduction in the number of complaints received by those working in this sector.

In **Italy**, *buoni lavoro* (labour vouchers) were created in 2003 in the context of a larger labour market reform law, to promote inclusion in the labour market and tackle undeclared work. Akin to Croatia, its initial objective was to provide a form of

regulation of wage payments to seasonal agricultural workers and occasional work in family businesses. However, instead of using this scheme to employ workers on an occasional basis, Italian employers made regular use of it and in some cases, employers used the voucher system instead of providing their short-term workers with legal employment contracts. These workers paid in vouchers had access to almost no workplace rights compared with workers with permanent employment contracts (e.g., to bargain collectively, earn sick or holiday pay, or earn unemployment benefits). Usage increased from 0.5m vouchers in 2008, to 1.5 million in 2011, and 115 million in 2015, with 1.7 million workers receiving some form of voucher payment in 2015, representing 8% of all working Italians. The government issued a decree on 17 March 2017 which imposed a total ban on the scheme with a transitional period until the end of the year.

In June 2017, the Italian Parliament approved the *Law-decree* n. 50/2017 to introduce new provisions governing voucher-based work. It now covers only *occasional work*. Firstly, there is *libretto famiglia* (family booklet) for private individuals to pay workers for domestic services (included gardening), care services and private teaching, and for sport clubs to pay stewards at sports stadiums. Secondly, there is the *contratto di prestazione occasionale* (occasional work contract) tailored to self-employed workers, professionals, entrepreneurs, associations and non-governmental organizations and public administrations, for occasional work activities. New income limits have been introduced. Each worker can receive income no more than €5,000 annually from all their employers. Each employer can pay wages no more than €5,000 annually to the totality of their workers. Each worker can receive from the same employer no more than €2,500 annually. Exclusions include employers with more than five permanent workers, construction and extractive companies, and public procurement on works and services. The sectors included are also limited. Public administrations can use occasional employment only for the specific temporary and exceptional circumstances and agricultural employers with no more than five workers can use occasional work only with specific categories of workers (i.e., students under 25 years old; retirees; unemployed people; beneficiaries of income support). Unlike the previous system, workers' rights are now better guaranteed with: insurance against accidents at work; social security contributions; a rest break for working day longer than six hours; minimum daily rest period; maximum weekly working time; and a minimum wage (€10 for family booklet and €9 for occasional work). If the employer exceeds the payment limit of €2,500, the employment must be converted into an open-ended full-time contract, and there are administrative fines (from €500 to €2,500 for each daily work violation).

Lessons learned

These five examples of service voucher schemes can be categorised into two broad types of scheme: **social vouchers (SV)** which are used by households (Belgium, France, Austria and the new *libretto famiglia* in Italy) and **enterprise vouchers (EV)** used by companies (Croatia, the old Italian system and the new *contratto di prestazione occasionale* in Italy).

The outcome of these presentations and subsequent workshop discussions, included **key features of good practice in relation to service voucher schemes**.

- Social Voucher (SV) schemes should:
 - Be used to pay for regular and occasional labour.
 - Be used to formalise household services (including caring services), with service vouchers limited to the specific tasks where undeclared work is prevalent. This will vary by Member State.

- Allow the direct employment of a private individual by a household, as well as establish authorised provider organisations which employ service voucher workers.
- Enterprise voucher (EV) schemes should:
 - Only be used to pay for occasional labour.
 - Target the agricultural sector and only be used in other sectors if they protect workers' rights.
- Both Social Voucher (SV) and Enterprise Voucher (EV) schemes should:
 - Be targeted only at spheres where undeclared work is prevalent.
 - Target spheres where labour inspection is difficult (e.g., households).
 - Set a limit on the number of service vouchers an employer can purchase, not on the level of income of a service voucher worker.
 - Allow users to acquire and submit vouchers online.
 - Be costed at the minimum price an employer pays for one hour's work.
 - Conduct prior research to decide price of service voucher for a user (and level of subsidy required), so that they are competitively priced compared to using undeclared work.
 - Enable workers to gain access to key social security benefits comparable to those held by people employed, and cover unemployment benefits, accident insurance, pension benefits, sickness benefits, maternity leave and health benefits.

When implementing service voucher schemes, moreover, pilot initiatives should be used in a particular locality/ies, or specific tasks/sectors where undeclared work is prevalent, and ex-ante and ex-post evaluations should be conducted.

The two key indicators of the success of a service voucher scheme should be:

- The extent to which the service voucher scheme reduces undeclared work/transforms undeclared work into declared work.
- That they do not substitute for permanent formal employment contracts.

The key obstacle preventing the wider adoption of service vouchers in Member States was seen to be budget constraints; they are viewed as a cost to the state. However, the view is that there is a need to see them as an investment by the state. The 'return on investment' is that voucher schemes transform undeclared work into declared work/higher levels of declared work and increase tax and social contribution levels. However, if attempts are made to implement them too cheaply, by not pricing vouchers at/below price of undeclared work, service voucher schemes will fail. Therefore, it is better to limit the sectoral areas covered.

4. An evaluation of awareness raising campaigns

An awareness raising campaign is an organised communication activity that aims to create awareness on a topic (in this case undeclared work), and thus behavioural change. Presentations were given on six such awareness raising campaigns:

Country	Campaign	Reach	Target	Partners
Sweden	The boss	National	Grey employers, employees	Government campaign
Norway	Truck driver's mother	Cross border Transport	Employees, employers	Wide mixed partnership
Portugal	It's bad for you harmful for all	National all sectors	Employers employees young people	Large mixed partnership
UK	Preventative approaches to Minimum wage offences	Sectors, targeted locations	Employers	Industry partners
Latvia	I spit on it	National	General public, employers, politicians	Social partners
EU-OSHA	Healthy work places	30 countries	Employers, employees	OSH National Contact Points

In **Sweden**, the awareness raising campaign presented has targeted employers who may be considering using undeclared labour and has adopted the slogan 'where do you draw the line?'. Its intention has been to address the inner moral compass of grey employers by making them reflect and reconsider their actions by asking 'what kind of employer and person do I want to be?' This used 16 videos (including 15 case studies of individual employers and employees) in four priority industries, 'the boss' mobile game, social media ads, and leaflets. The cost per video view has been €0.008.

A key lesson for future awareness raising campaigns is that there were complaints from employers that they were being targeted, and a request was made for the 'boss game' to be removed. It is therefore good practice for there to be full *a priori* consultation and discussion with social partners on the messages of awareness raising campaigns.

In **Norway**, over 3,000 Heavy Goods Vehicles (HGVs) cross the border into Norway every day. Foreign lorry drivers are not used to Norway's challenging driving conditions and are three times more likely to be involved in an accident. The aim of the 'truck driver's mother' campaign has been to increase knowledge among foreign lorry drivers and their employers of the road safety regulations applicable in Norway, and the driving conditions encountered on the Norwegian roads. The video was nominated for and won European/International awards both on communication and on prevention.

An evaluation in September 2017 revealed that 30 million people had been exposed to the messages of the campaign, there had been 6 million viewings of the film, especially from Romania, Poland and Bulgaria; and 40,000 actively engaged on Facebook (sharing, liking, commenting). It had also received media attention, with a newscast on one of Poland's most popular news channel, TVN24. There had been significant engagement with the campaign among the target group and the transport sector in each of the targeted countries.

In **Portugal**, an action plan to raise public awareness, especially among workers and employers, concerning the risks of undeclared work, was presented. The aim was to create a social conscience. It was also aimed at promoting synergies between the public authorities and the social partners to raise awareness about the risks of undeclared work and to help reduce it. The objectives of the campaign against undeclared work have been achieved as it has contributed to transforming a significant number of instances of undeclared work into regular employment. Information and awareness-raising activities with both social and institutional partners were carried out, as well as inspection activities by the labour inspectorate in conjunction with other authorities with inspection powers.

During the period 2014/15, through these activities it was possible to identify around 9,000 workers involved in undeclared work, and consequently, to transform their situations. Of these undeclared workers 3,244 were identified as being totally undeclared, 1,582 were bogus self-employed and 4,247 were affected by under-reporting of wages. Voluntary regularisations occurred in response; 40% of totally undeclared situations and 35% of bogus self-employed situations. Where voluntary action was not taken, notices of infringement were applied. 5,165 employers were identified as involved in undeclared work and €6.6 million imposed in fines.

In the **United Kingdom**, a presentation revealed how HMRC's compliance strategy is based on three tenets: *promote, prevent, respond*. HMRC '*promotes*' good compliance by designing compliance into their systems and processes and helps customers to get it right first time by intervening upstream. It '*prevents*' non-compliance at or near the time of filing by designing out opportunities for non-compliance and exploiting their digital systems, using what they know about individuals and companies to identify risks as they arise, giving customers the opportunity to correct their mistakes before they reach HMRC and preventing fraud. It '*responds*' to non-compliance with tailored interventions, looking for ways to automate tasks, using compliance centres to best effect, and using data to identify risks more effectively so that they can focus interventions on tackling those who bend or break the rules. A case study of their preventative approach to National Minimum Wage offences was then set out, showing how enforcement teams engage in targeted work *promoting* compliance among employers so that they know about National Minimum Wage and how to comply with the law.

In **Latvia**, social partners have taken a lead role in awareness raising. On 3 October 2011, the Latvian Employers' Confederation launched a national level campaign 'Against the shadow economy – for fair competition'. The campaign included six parts: an advertising campaign with the slogan 'I spit on it' (Man uzspļaut); an online tool – a test for measuring an individual's 'shadow'; actions involving white envelopes; a discussion with business representatives on fair competition; analysis of the results of an online test and the elaboration of conclusions and proposals; and a discussion in the Latvian Parliament on combating the shadow economy in Latvia.

The campaign started with anonymous advertisements in the streets and on the main TV channels showing the words 'I spit on it' in yellow letters on black tape crossing a white background. Then the white background was changed to three types of picture,

showing a child, pregnant women, and grandparents. At the third stage, the advertisement was supplemented with the texts 'Happy childhood?', 'Young families?', and 'Well provided old days?' respectively. The idea of the advertisement was to demonstrate the impact of the shadow economy on social provision. Social partners, therefore, can not only support enforcement authorities, but also take the lead role in awareness raising campaigns.

To learn lessons about the organisation of awareness raising campaigns on undeclared work from other related thematic areas, the European Agency for Safety and Health at Work (**EU-OSHA**) presented their campaigns on occupational safety and health (OSH). Here, detailed analysis and evaluation has occurred of the key features of successful awareness raising campaigns. EU-OSHA have produced detailed practical advice on how to plan and run campaigns to help Member States (see <http://toolkit.osha.europa.eu/tools/>). This presentation provided a step-by-step guide to planning an awareness raising campaign and highlighted good practices.

Firstly, it was highlighted that there is a need to have a strong message and clear goals, target audiences, and to consider what do your target groups need to know, what do they need to appreciate, and what do they need to do. Secondly, it showed the need to set measurable objectives, and to develop a tailored communication strategy to reach the intended audience. Thirdly, it displayed the need to fully involve all stakeholders as partners, including the national media, and fourth and finally, to monitor and evaluate the campaign at each stage of its implementation using a cost-efficiency perspective, and facilitate the exchange of good practices.

The outcome of these presentations is that the workshop identified the following **key features of good practice in awareness raising campaigns**:

- Begin with the end in mind
 - Set clear goals on what you want to achieve
 - What do you want people to understand or do as a result of the campaign?
- Plan
 - Have a clear strategy
 - With SMART objectives to measure success
 - Get key stakeholders on board
 - Take a holistic approach, combining and sequencing the campaign with other policy measures
 - Agree timing, budgets, roles, etc.
- Select and understand your audience(s)
 - Demographics, age, gender
 - Population, employers, employees, migrant workers
 - Geographic area, sectors
- Collaboration works
 - From a single lead to 80 partners
 - Wide range of stakeholders can be valuable multipliers
 - Think who is best to deliver the message?
- Grab attention with key message
 - Clear/simple
 - Focus on positive messages
 - Creative – personal stories work
 - Have a call to action
 - Multilingual
- Branding your campaign
 - Grab your audience's attention
 - Use a logo, memorable branding

- Reaching your audience
 - Use few core channels which are audience-appropriate
 - Regular flow of activities, create highlights
 - On-going evaluation to keep on track
- Sustainability
 - Quick wins or longer term behavioural change?
 - Take a wider perspective e.g. with training for inspectors
 - Continuous reinforcing of messages key
 - Funding an issue so one-off campaigns a feature

Indicators of effectiveness

- Outputs - indicators measuring actions and tactics
 - Meetings, events, participants, people trained
 - Publications, news articles, number ads
 - Social media statistics, views, shares, likes
 - Number of complaints from employees rise
 - Inspections, fines, voluntary regularisations
 - Funds recovered
 - Awards
- Outcomes – final results of campaign
 - Improved unacceptability of undeclared work among the target group, which is a proxy for changes in behaviour
 - Improved understanding of benefits of declared work
- How to measure?
 - Surveys and independent evaluations
 - Existing employer surveys could be used with additional questions

3 What more can be done?

The outcome of the workshop was that several ways forward/next steps were identified for both Member States and the Platform.

What more can be done by Member States?

- Governments need to move away from resolving undeclared work after it has occurred using deterrents, and to move towards preventing non-compliance in the first place.
- Governments should consider conducting pilot initiatives of voucher schemes (using the key features of good practice identified) and evaluate their effectiveness at tackling undeclared work. To do so, the workshop heard how a pilot project to promote service voucher schemes is being launched in 2018 to assist Member States to develop service voucher schemes. Member States interested in sharing their experiences and/or benefiting from technical support were informed that they can express their interest to the unit in charge of the pilot project, EMPL-E1-UNIT@ec.europa.eu.
- Government and social partners should pilot and experiment with different types of awareness raising campaign, drawing upon the key features of good practice identified in other Member States and in other spheres, but tailored to their specific context.

What more can be done by the Platform?

- The Platform should consider planning, developing and executing an EU-wide awareness raising campaign on tackling undeclared work.