



## European Platform Undeclared Work

### Thematic Review Workshop: Risk Assessment for More Efficient Inspections 14-15 June 2018, Madrid, Spain

The aim of this Thematic Review Workshop was to provide an opportunity for Platform members to improve their knowledge and awareness of the importance of developing strategies and building risk assessment systems to predict, prevent and detect undeclared work (UDW). The workshop provided an opportunity for participants to exchange best practices, identify what are or could be, the most suitable indicators and successful approaches for risk assessment. The workshop also explored the challenges to be overcome to develop efficient risk assessment systems.

#### Key findings:

- A risk assessment model is helpful because it highlights the riskiest cases with impartiality. Any risk model gives at least an indication and at best a ranking of risky employers and/or sectors. This enables a balance of priority cases across different sectors based on an objective set of indicators.
- Risk assessment systems do not need to only be used for enforcement purposes but can also guide the targeting of prevention activities. The results of the risk assessment can inform an authority's strategy and approach which can combine information and education, prevention and enforcement activities. In this way, risk assessment can help countries design their strategy for fighting undeclared work.
- In Spain for example, the risk assessment approach helps to identify problematic cases for inspections and prevention. A wider prevention campaign was undertaken towards a far larger number of businesses, where letters were sent to 14000 companies when the authorities noted risk factors for possible violation (e.g. all or most workers moved to part time employment). As a result, 15% of the businesses contacted, revised their declarations.
- The participating MS shared the indicators they use: some indicators are common among MS (e.g. high turnover combined with low staff numbers; past penalties/fines) but others are less common and more sophisticated (e.g. low wages but large boarding/lodging/transport costs; sudden changes of staff to self-employed working for the same payer, etc.), while some are very specific to sectors. The indicators currently used are simple, rather than composite.
- The indicators used include but are not limited to: high turnover combined with low number of workers; high proportion of employees working part-time; number of short term contracts; number of temporary agency workers; many sub-contractors on large scale construction works with only a handful of workers employed by the main contractor; repeat offenders; high turnover of staff, etc.
- Within a risk assessment system, it is necessary to define the input benchmarks and the output benchmarks, in order to show that using the risk assessment system is much more effective than not using one. For example, a key indicator could be defined as the formalisation of labour relations and each MS could then decide which benchmark to compare it against (for example, this could be the return on random inspections or year on year improvements).
- Regarding output benchmarks, the number of violations may not always be the most appropriate benchmark. More challenging but more significant cases may be a better benchmark. For example, the UK target volume of cases examined and throughput. An example of another target could be measuring (over a pre-defined timescale) the increase of the number of workers officially declared to the authorities as a result of an inspection campaign or annual programme.

## KEY OUTCOMES

- It is important for each MS authority to define its strategic objectives and key performance indicators (KPIs). The next step is to design a risk assessment system to serve these objectives, the key indicators and then decide what benchmarks each indicator will be compared against. For example, an authority can define a key indicator as the formalisation of labour relations and then decide which benchmark it will use. This could be the return on random inspections or year-on-year improvements. It is beneficial to decide what will be the input benchmarks (e.g. number of inspections) and the output benchmarks (e.g. number of violations).
- The ILO described five types of intervention that risk assessment can serve: information and education, prevention, enforcement, political (legislative changes) and systemic (bring different actors to work together) interventions.
- In general, it may be beneficial to move away from a focus on revenues and rather focus on the social and labour market impact (turning undeclared work into declared work).

The workshop discussions helped to identify some basic building blocks for risk assessment, which include:

- High-level political commitment and support from the highest management levels.
- Time and resources: appropriate technological, human (the right skills) and financial resources
- Enabling legislation (promoting sharing of data, excluding rules for all complaints to be investigated, etc.).
- Partnerships: there is a need to seek partnerships and synergies with other agencies that have the same goals, as well as with the social partners (e.g. through collaboration agreements).
- Experience and feedback from inspectors on the ground.
- Access to databases and registers operated by different national and international bodies.
- Interoperability - compatibility between databases, common identification of firms/workers (VAT/registration numbers/ID numbers).
- Business knowledge: a need to know your business by carrying out a critical analysis of what is currently being done. Re-engineering existing systems may be the solution, if a re-allocation of resources, a re-engineering of processes or re-adjusting of the statistical system is needed or whether a new focus is needed on sectors that are relevant.
- Realising what is possible to share or not with other institutions in terms of data: there is a distinction between having to work together with other agencies or when it is just enough to share information. Integrated systems are not always necessary, just using or extracting some information from other systems can be just as useful.
- Quality monitoring of the results and identifying impact from the interventions followed using system analysis, as well as adjusting the system if necessary, is the final but necessary step in the process.

The follow up work from this workshop will define the process of risk assessment; where the risk assessment systems fit in, within the workflow of the labour authorities; and how the results can feed into identifying inspections, campaigns for prevention etc.

**Further information:** A Learning Resource Paper and a Practitioner's Toolkit providing concrete guidance in planning, designing, implementing, monitoring, and improving risk assessment systems will be produced later this year. The workshop is part of a learning process which will be continued by a Follow-up Visit to one of the participating countries. The input documents and presentations of the workshop will be uploaded to the collaborative workspace of the Platform.