



Tackling undeclared work in the HORECA sector:

**Learning resource paper
from the Platform seminar:
Tackling undeclared work
in the HORECA sector**
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1.0 Introduction

On 16 September 2021, the European Platform tackling undeclared work organised an online seminar on Tackling undeclared work in the HORECA sector. The seminar brought together 43 participants from 20 countries, representing labour inspectorates and other enforcement authorities, European and national level social partners in the HORECA sector, as well as representatives from the European Agency for Occupational Safety and Health (EU OSHA), the European Commission and the European Labour Authority (ELA). The intention of the seminar was to stimulate the thoughts of participants on potential policy tools which could be adopted to transform undeclared work into declared work in the HORECA sector and to share learning on policy initiatives that could be more widely adopted. This learning resource extends an earlier Platform study published in 2020 on tackling undeclared work in the wider tourism sector.¹

This paper describes the outcomes of the seminar. Its focus upon undeclared work in the HORECA sector complements previous sector-based Platform learning resources produced on tackling undeclared work in the agricultural, construction, road transport and air transport sectors.²

The key findings are:

In 2018, 7.4 % of declared employment in the EU was in the HORECA sector, of which 25.6% are in the hotels and accommodation sub-sector and 74.4 % in food and beverage service activities.

Undeclared work is more prevalent in the HORECA sector. 14 % of employees are in unregistered employment (cf. 5 % of the EU workforce) and 6 % in under-declared employment (cf. 5 % of EU workforce) but just 2 % in bogus self-employment (cf. 4.3 % of EU workforce).

Although the COVID-19 pandemic has had a major disruptive impact on the vitality of the sector, undeclared work has not disappeared and if anything, may have increased and/or taken new forms. For example, there has been potentially a decline in undeclared cash tips for wait staff, but a growth of undeclared work associated with mobile food service activities (including 'dark kitchens' which sell meals exclusively for delivery through an app or an online ordering system), and unregistered accommodation providers, sourcing clients online, and a concomitant growth in undeclared cleaning staff in private apartments rented.

Undeclared work is more prevalent in the HORECA sector for two major reasons. On the one hand, it is because the expected benefits of engaging in undeclared work more often outweigh the expected costs than in other sectors, perhaps due to detection being more difficult and the benefits of declared work being lower. On the other hand, it is because the acceptability of undeclared work is higher in the HORECA sector, perhaps due to the higher proportion of EU mobile and third country workers in this sector but also the long-standing culture of the acceptability of undeclared work in these industries (e.g., the long-standing modus operandi in this sector of paying the minimum wage plus tips).

¹ Williams, C.C. and Horodnic, I. (2020). [Tackling undeclared work in the tourism sector](#), European Platform Tackling Undeclared Work, Brussels.

² Cremers, J, Williams, C.C., Hawley-Woodall, J. and Nikolova, N. (2017) *Tackling undeclared work in the construction industry: a learning resource*, European Platform Tackling Undeclared Work, Brussels. Williams, C.C. (2019) *Tackling undeclared work in the agricultural sector: a learning resource*, European Platform Tackling Undeclared Work, Brussels; Haidinger, B. (2019) *Tackling undeclared work in the road transport sector: a learning resource*, European Platform Tackling Undeclared Work, Brussels; Turnbull, P. (2020) *Tackling undeclared work in the air transport sector, with a special focus on bogus self-employment of aircrews: a learning resource*, European Platform Tackling Undeclared Work, Brussels.



Adopting the Platform's holistic approach towards tackling undeclared work, the seminar considered both cross-agency working to join-up strategy, operations, and data collection, sharing and analysis, as well as the full range of policy measures that could be used to transform undeclared work into declared work in the HORECA sector.

A wide range of tools are available to both enforcement authorities as well as social partners to tackle undeclared work in the HORECA sector. At present, different tools are being used in different Member States, and the seminar enabled learning to be shared on the full range of policy tools available.

Enforcement authorities can increase the perceived and actual **costs of undeclared work** using deterrence policy tools. The first set of deterrence tools involve sanctions, including: reducing the fine depending on the length of declared contract given to previously undeclared workers; reclassifying the employment relationship; reverse supply chain responsibility initiatives; using compliance and non-compliance lists; excluding non-compliant businesses from public procurement and/or subsidies, and 'naming and shaming' initiatives. The second set of deterrence tools involve increasing the probability of detection, including using workplace inspections, and especially cross-agency joint inspections, targeted at the HORECA sector. To enable effective inspections, the following are useful: registration of employees before the first day of work; registration of service providers on digital platforms; workplace identity cards, and a clear definition of what is commercial and non-commercial activity. Other tools for increasing the probability of detection of undeclared work in the HORECA sector include the development of data mining and risk assessment systems (including better identifying the 'red flags' used to identify 'outlier' HORECA businesses), notification letters, and implementing mandatory certified cash registers.

Enforcement authorities can also improve the ease and benefits of operating in the declared economy in the HORECA sector using both supply-side and demand-side tools.

- ▶ **Supply-side tools** (i.e., encouraging HORECA businesses and workers to operate declared) include: simplifying the regulations for seasonal and smaller jobs; using advisory inspections; introducing threshold amounts for workers to tax-exempt own-account activities (e.g., for home restaurants, 'meal sharing'); enforcement authorities offering HORECA businesses access to their risk-assessment ratings to encourage voluntary compliance, and voluntary disclosure initiatives.
- ▶ **Demand-side tools** (i.e., encouraging consumers to purchase on a declared basis) include: holiday vouchers to promote use of registered accommodation providers; incentivising electronic transactions and mandatory cashless payments systems; introducing statutory notices on the front page of restaurant menus that it is compulsory to issue cash register receipts or the purchaser has a right not to pay; introducing national receipt lotteries to encourage consumers to request receipts; a social label initiative in the food and beverage service sector that displays staff working conditions (akin to Michelin stars for food quality) using 'stars on their doors', which is likely to be popular with Millennials and Gen Z; and education and awareness raising campaigns targeting employers, workers and/or consumers

Social partner initiatives to tackle undeclared work in the HORECA sector could include: providing incentives for HORECA businesses to be compliant such as free marketing via consumer shopping guides; further developing existent social label initiatives such as the 'Just Tourism' initiative in the hotel sector; introducing workplace ID cards in the HORECA sector (similar to the construction sector); pursuing awareness raising initiatives targeting employers, workers and/or consumers, and providing advice and support schemes (e.g., UNDOC initiative) such as for undocumented workers in the HORECA sector.

The next section presents developments and trends of undeclared work in the HORECA sector, including the new challenges faced. The third section then reviews the different types of policies and measures targeting undeclared work in the HORECA sector and the fourth section contains key learning outcomes and ideas for further actions to address undeclared work in the HORECA sector.



2.0 Prevalence of undeclared work in the HORECA sector

This section provides an overview of the developments and trends of undeclared work in the HORECA sector.

Key conclusions

In 2018, 7.4 % of declared employment in the EU was in the HORECA sector, of which 25.6 % are in the hotels and accommodation sub-sector and 74.4 % in food and beverage service activities.

Undeclared work is more prevalent in the HORECA sector. 14 % of employees are in unregistered employment (cf. 5 % of the EU workforce) and 6 % in under-declared employment (cf. 5 % of EU workforce) but just 2 % in bogus self-employment (cf. 4.3 % of EU workforce).

Although the COVID-19 pandemic has had a major disruptive impact on the vitality of the sector, undeclared work has not disappeared and if anything, may have increased and/or taken new forms. For example, there has been potentially a decline in undeclared cash tips for wait staff, but a growth of undeclared work associated with mobile food service activities (including 'dark kitchens' which sell meals exclusively for delivery through an app or an online ordering system), and unregistered accommodation providers, sourcing clients online, and a concomitant growth in undeclared cleaning staff in private apartments rented.

Undeclared work is more prevalent in the HORECA sector for two major reasons. On the one hand, it is because the expected benefits of engaging in undeclared work more often outweigh the expected costs than in other sectors, perhaps due to detection being more difficult and the benefits of declared work being lower. On the other hand, it is because the acceptability of undeclared work is higher in the HORECA sector, perhaps due to the higher proportion of EU mobile and third country workers in this sector but also the long-standing culture of the acceptability of undeclared work in these industries (e.g., the long-standing modus operandi in this sector of paying the minimum wage plus tips).

2.1 Size of the HORECA sector

The 'HORECA' sector (sometimes referred to as the 'hospitality sector') covers two sub-sectors, namely hotels and accommodation (NACE code 55) and food and beverage service activities (NACE code 56) in restaurants and bars.

As Table 1 displays, in 2018, the HORECA sector employed 9.6 million people, representing around 7.4 % of total employment in the EU non-financial business economy. Food and beverage service activities is the biggest sector, accounting for 74 % of total HORECA employment.

These, however, are the official figures of declared employment in the HORECA sector. They do not include undeclared work.



Table 1. Key economic indicators of the HORECA sector in the EU, 2018

	NACE Rev.2	Number of enterprises	Turnover (million EUR)	Value added at factor cost (million EUR)	Number of persons employed
Total non-financial business economy (1)		22 710 033	25 645 095	6 557 888	129 373 954
Accommodation (scope of Reg 692/2011)³		333 072	179 623	85 312	2 460 211
<i>Hotels and similar accommodation</i>	I5510	144 435	149 729	73 196	2 005 809
<i>Holiday and other short-stay accommodation</i>	I5520	173 845	23,005	8 775	384 096
<i>Camping grounds, recreational vehicle parks and trailer parks</i>	I5530	14 762	6,889	3 341	70 306
Food and beverage (total)		1 427 450	326,096	130 239	7 134 310
<i>Restaurants and mobile food service activities</i>	I5610	892 595	239 444	105 550	5 345 298
<i>Beverage serving activities</i>	I5630	534 855	67 483	24 689	1 789 012

Source: Eurostat (2019a) – Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Tourism_industries_-_economic_analysis based on Structural Business Statistics (SBS)

2.2 Prevalence and trends in undeclared work in the HORECA sector

As Table 2 displays, some forms of undeclared work are more prevalent in the HORECA sector than in the wider economy. Unregistered employment is much more prevalent in the HORECA sector than in the wider economy, and under-declared employment is slightly more prevalent. However, bogus self-employment is under-represented in the HORECA sector.

Table 2. Prevalence of undeclared work in the HORECA sector in the EU

Type of undeclared work	EU average	HORECA Sector
Unregistered employment	5 % for the workforce	14 % of employees in the accommodation and food services sector are in unregistered employment 12 % of all employees in unregistered employment in the EU are in the accommodation and food services sector
Dependent self-employment	4.3 % of all employment	2 % of all employment in the accommodation and food services sector is bogus self-employment
Under-declared employment	5 % is the EU average	6 % (1 in 17) of employees in the hotels and restaurants sector receive envelope wages

Sources: European Working Conditions Survey (EWCS) 2015 and Eurobarometer 2007

2.2.1 Undeclared work in the HORECA sector: by sub-sector⁴

To explore the heterogeneous types of undeclared work in the HORECA sector, and the challenges faced, this section takes each of the industries in the HORECA sector in turn and reviews the forms of undeclared work. The HORECA sector is composed of two main sub-sectors. On the one hand, there is the hotels and accommodation

³ Regulation (EU) No 692/2011 of the European Parliament and of the Council of 6 July 2011 concerning European statistics on tourism and repealing Council Directive 95/57/EC

⁴ This subsection draws heavily upon Williams, C.C. and Horodnic, I. (2020). *Tackling undeclared work in the tourism sector*, European Platform Tackling Undeclared Work, Brussels



(NACE code 55) sub-sector which in 2018 comprised 333 072 registered enterprises (18.9 % of all HORECA registered enterprises) and employed 2 460 211 (25.6 % of all HORECA registered workers). On the other hand, there is food and beverage service activities (NACE code 56) in bars and restaurants which in 2018 comprised 1 427 450 enterprises (81.1 % of all HORECA registered enterprises) and employed 7 134 310 (74.4 % of all HORECA registered workers).

2.2.1.1 Hotels and accommodation

The hotels and accommodation sector (NACE code 55) is composed of three sub-sectors: hotels and similar accommodation (NACE 551), holiday and other short-stay accommodation (NACE 552) and camping grounds, recreational vehicle parks and trailer parks (NACE 553). Undeclared work in each sub-sector is here considered in turn.

The **hotels and similar accommodation sector** in 2018 comprised 144 435 businesses (8.2 % of all HORECA businesses) with a turnover of 179 623 million EUR (35.5 % of total turnover in the HORECA sector) and employed 2 005 8099 (20.9 % of all registered HORECA workers). These are official figures. Various country-level, albeit out-of-date, studies display the volume of undeclared work in the hotels and similar accommodation sector. In Croatia, Ivandić and Radnić (1997) find that 12.6 % of total nights in Croatia were unregistered and that 22 % of the total spend in the hotels sector is undeclared, whilst Lovrinčević et al. (2006) estimate that in 2002, 33.7 % of the total spend in hotels was undeclared.

Evaluating undeclared work in the hotel and similar accommodation sector, there are firstly, unregistered, or unlicensed hotels (see Afonso Dias et al., 2014) and secondly, registered hotels not declaring a portion of their transactions. To evaluate whether registered hotels (and restaurants) compete against unregistered or informal hotels (and restaurants), the Business Environment and Enterprise Performance Survey (BEEPS) conducted by the World Bank and the European Bank for Reconstruction and Development examines 11 countries in Eastern Europe in 2013 (Horodnic et al., 2016). This reveals that 19 % of hotels and restaurants compete against unregistered or informal firms in these 11 Member States (see Table 3), although this varies from 41 % of hotel and restaurants in Bulgaria and 40 % in Croatia to just 10 % in Romania and 8 % in Hungary.

Table 3. Hotels and restaurants competing against unregistered or informal enterprises in 11 Member States (% , by Member State)

Country	Hotels and restaurants (%)
Bulgaria	41 %
Croatia	40 %
Poland	38 %
Slovakia	25 %
Lithuania	17 %
Latvia	16 %
Slovenia	15 %
Czech Republic	13 %
Estonia	11 %
Romania	11 %
Hungary	8 %
ALL 11 Member States	19 %

Source: abridged version of Horodnic et al. (2016, Table 1)

An example of how hotels and similar accommodation under-declare their income is the finding that in Rome, 8.5 million EUR in tourist tax⁵ was not received by the city authorities in the first six months of 2019. The audit found

⁵ <https://www.wantedinrome.com/news/85-million-evaded-in-rome-tourist-tax.html>



that hotels, B&Bs and room-rental landlords, mainly in the historic centre of Rome, were either not collecting or not sending onto the authorities the nightly tourist tax.

Besides the non- or under-declaration of income, hotels and similar accommodation also employ undeclared labour. As displayed in Table 2 above, 14 % (1 in 7) of employees in accommodation and food services in the EU are in unregistered employment, 2 % (1 in 50) are bogus self-employed and 6 % (1 in 17) of employees in hotels and restaurants receive envelope wages. Take the example of unregistered employment. In interviews with 74 managers of hospitality businesses in Czechia, Belešová et al. (2016) finds that respondents asserted that unregistered employment is used by 62 % of small hotels, and 80 % of other accommodation establishments. There is also the payment of envelope wages and bogus self-employment, as indicated in Table 2 above.

The **holiday and other short-stay accommodation sector** is a second sub-sector. Across the EU, this is composed of 173 845 enterprises (9.8 % of all HORECA enterprises), turnover is EUR 23 005 million (4.5 % of total HORECA turnover) and 384 096 are officially employed (4.0 % of all HORECA employment). These again are declared figures. This is perhaps a sub-sector where undeclared work is even more prevalent than in the hotel and similar accommodation sub-sector. Reviewing this sub-sector, examples of undeclared work include:

- ▶ Unregistered holiday letting and registered holiday lets that under-declare earnings, such as those using online platforms, and agricultural landholders pursuing farm diversification and not declaring all income from farm accommodation rentals to green tourists.
- ▶ Employing unregistered cleaners to clean holiday and other short-stay accommodation between lets, who may be employed directly by the accommodation owner or work for a cleaning company that works as a sub-contractor.
- ▶ Employing unregistered chefs and cooks in holiday and other short-term accommodation (e.g., bed and breakfast accommodation).
- ▶ Owners of holiday and short-stay accommodation providing meals but not declaring the additional revenue or not declaring visitors paying cash (i.e., undeclared self-employment).

Providers of holiday and short-stay accommodation have increasingly used online platforms to seek clients. Indeed, in the platform economy, the accommodation sector, including not only vacation rental but also home swapping, is one of the largest by revenue and 35 % of all platform services sell accommodation services (Andriotis and Agiomirgianakis, 2014; Vaughan and Daverio, 2016; Williams and Horodnic, 2019; Williams and Lapeyre, 2017). As the 2019 Special Eurobarometer survey no 498 on undeclared work reveals, 11 % of all undeclared activities are sourced through online platforms (Williams and Horodnic, 2021).

Indeed, there is considerable evidence that many providers of holiday and short-stay accommodation operate undeclared. Kesar and Čuić (2017) find in **Croatia** in 2016 that privately owned rooms, apartments, and houses rented undeclared constituted 58 % of all commercial-based tourist accommodation facilities. During the 2000-2016 period, they find a considerable growth in privately owned rooms, apartments and houses (+144 %, measured by number of beds), campsites (+20 %) and hotels (+9.2 %), but the declared occupancy rate was just 8.3 % in 2000 and 14.6 % in 2016. In **Greece**, the Independent Authority for Public Revenues (IAPR), using 'web-scraping', identified 20 000 short-term rental properties on a specific online accommodation platform that were not registered in the IAPR register with a property registration number. To see the size of the problem, the IAPR register at the time had a total of 70 000 short-term rental properties registered. In a IAPR initiative⁶, information of bookings was collected from the VAT Information Exchange System (VIES) for 2015 and 2016, which lists the

⁶ <http://www.ekathimerini.com/232420/article/ekathimerini/business/online-accommodation-booking-data-reveal-extent-of-tax-evasion>



commissions that a specific on-line holiday accommodation rental platform charged Greek service providers for guests it had delivered to them. Comparing this actual tax declarations of 17 000 enterprises, 1 000 displayed discrepancies. In 90 the difference exceeded EUR 50 000 and their total undeclared taxable revenues for the period 2015 to 2017 were circa EUR 8 million. In **Romania**, the National Agency of Travel Agencies estimates 20 % of accommodation services in Romanian beach resorts are in the undeclared economy, such as unregistered accommodation in private homes, or not giving invoices (Jaliu and Răvar, 2019). In **Slovenia**, similarly, the Financial Administration (FURS) in 2018 requested holiday and short-stay accommodation providers to register. Only 374 did so by the deadline, but this increased as inspections started. In the first six months, FURS inspectors carried out 450 inspections, resulting in minor offence proceedings against 227 owners for a total of 427 violations, most of them relating to undeclared work and illegal advertising. A total of EUR 237 000 in fines and 56 warnings were issued by the end of August and EUR 230 000 additional tax was charged to owners. Between February and May 2018, an additional 973 holiday and short-stay accommodation providers registered. In the first eight months of 2018, 2 154 registered, which is 30 % more than in the same period in 2017 and 53 % more than in 2016 (STA, 2018).

Such findings have resulted in HOTREC (2019) drawing attention to the problem of accommodation rentals via online platforms. Indeed, HOTREC and EFFAT have published a joint statement on the sharing economy, '*For a level playing field and fair competition in hospitality and tourism*' (November 2019). In this joint statement, both social partners call upon the public authorities to collect more coherent data about the scope and the impact of the 'sharing economy' on businesses and employment in the hospitality and tourism sector, and to guarantee that legislation is fully respected by and enforced upon all providers of hospitality and tourism services (HOTREC and EFFAT, 2019).

Camping grounds, recreational vehicle parks and trailer parks are a third sub-sector. Across the EU, there are 14 762 enterprises (0.8 % of all HORECA enterprises), turnover amounts to EUR 6 889 million (1.4 % of total HORECA turnover) and 70 306 are employed (0.7 % of all HORECA employment). These are declared figures. Examples of possible undeclared work in this sub-sector include:

- ▶ Unregistered and/or unlicensed camping grounds and recreational vehicle or trailer parks, such as on agricultural holdings as part of farm diversification schemes.
- ▶ Employing unregistered workers on camping grounds and recreational vehicle and trailer parks (e.g., as temporary seasonal attendants, cleaners, and maintenance staff).
- ▶ Employing under-declared workers asked to work longer hours than in their formal contract.
- ▶ Undeclared self-employment by owners of agricultural holdings operating unlicensed camping sites or recreational vehicle parks.

2.2.1.2 Food and beverage service activities

The food and beverage service activities (NACE code 56) is composed of two sub-sectors, namely restaurants and mobile food service activities (NACE code 561) and beverage serving activities (NACE code 562).

The **restaurant and mobile food service activities** sub-sector was in 2018 composed of 892 595 enterprises (50.7 % of all HORECA enterprises), turnover amounts to EUR 239 444 million (47.3 % of total HORECA turnover) with 5 345 298 employed (55.7 % of all HORECA employment). **Beverage serving activities** in 2018 involved 534 855 enterprises (30.4 % of all HORECA enterprises), turnover amounts to EUR 67 483 million (13.3 % of total HORECA turnover) with 1 789 012 employed (18.6 % of all HORECA employment). Examples of undeclared work in food and beverage service activities include:



- ▶ Unregistered food and beverage service activities, including undeclared self-employment. Examples are traditional mobile food vendors (e.g., on beaches, roadsides, and at festivals) and new forms such as 'pop up' and home restaurants.
- ▶ Formal food and beverage service providers under-declaring earnings. In Norway, Skalpe (2007) finds that such providers used two cash registers, one official and one unofficial (although this is no longer a possibility, USB 'zapping devices' can stop transactions being registered on point-of-sale registers), do not declare extra income from hosting special events, and trade illegal alcoholic drinks. In Denmark, Hjalager (2008) highlighted tax fiddles, employment of illegal/undeclared labour, and the illegal import of supplies. Milić (2014) in Montenegro highlights the absence of cash registers in food and beverage providers, non-invoicing, and unregistered workers. In a neighbouring third country, 26 % of the businesses 'named and shamed' by HM Revenue and Customs in the UK since the non-compliance list of 'deliberate tax defaulters' was created in 2017 have been restaurants and takeaways.
- ▶ Unregistered workers in food and beverage service providers, especially to meet peaks in demand, is prevalent. Belešová et al. (2016), in interviews with 74 managers of hospitality businesses in Czechia find that respondents claim that unregistered employment is used by 50 % of small restaurants and 45 % of small bars. Meanwhile, a study of undeclared work in the Indian restaurant sector in Birmingham in the neighbouring third country of the UK finds widespread use of unregistered workers and how these are normally close or wider family helping at times of peak demand (Ram et al., 2002).
- ▶ Under-declared employment in food and beverage service employers. This takes different forms depending on the occupation. Unskilled kitchen staff often work longer hours than in their formal contract with no additional remuneration, but higher skilled staff such as chefs receive an envelope wage in addition to their declared wage as compensation for longer hours.
- ▶ There is also the issue of food and beverage serving staff (e.g., wait staff) not fully declaring tips. For many decades, the word-of-mouth industry-standard was to declare an additional 10 % of one's salary as tips, not least because this is the average rate at which customer's tip. However, these tips total far more than this relative to their salary.

2.2.2 Recent trends in undeclared work in the HORECA sector during the COVID-19 pandemic

Although the COVID-19 pandemic has had a major disruptive impact on the vitality of the sector, undeclared work has not disappeared and if anything, may have increased and/or taken new forms. To explore this, each of the two sub-sectors are considered in turn, namely hotels and accommodation (NACE code 55) and food and beverage service activities (NACE code 56) in bars and restaurants.

Starting with **food and beverage service activities**, with the shift to the greater use of cashless payments in bars and restaurants, there will have been a decline in the most prominent form of under-declared employment in this HORECA sub-sector, namely the receipt of undeclared cash tips for wait staff (i.e., envelope wages). Meanwhile, social distancing will have markedly reduced the pre-pandemic growth in 'pop up' and 'home' restaurants, many of which are likely to have been operating on an unregistered basis.

However, there has been also the growth of new forms of undeclared work in food and beverage service activities during the COVID-19 pandemic. With the growth of mobile food service activities and home delivery during the pandemic, there has been the growth of new forms of provision and business models where undeclared work is likely to be prominent. A prominent example is the growth of 'dark kitchens', or what have been variously called 'ghost' or 'cloud' kitchens or 'virtual restaurants'. These can be defined as commercial kitchens which sell meals



exclusively for delivery through an app or an online ordering system, or in some cases by letting customers collect the food themselves. These ‘dark kitchens’ are often in non-traditional premises, such as shipping containers on the outskirts of urban areas, and avoid regulations that apply to restaurants and takeaways, and there have been major concerns expressed over working conditions of both the kitchen staff and the delivery workers. Interestingly, this new activity exemplifies how new innovations outstrip the ability of labour inspectorates to keep pace with the trends. Few, if any, inspectorates at the seminar possessed information on the extent of this phenomenon in their country or had yet made them a strategic priority for inspections.⁷

In the **hotel and accommodation sector**, meanwhile, there are again trends during the COVID-19 pandemic period in the types of undeclared work. With the closure of hotels and accommodation providers during repeated lockdowns, there will have been a reduction in the pre-pandemic volumes of unregistered employment and undeclared employment (and to a lesser extent dependent self-employment) in this HORECA sub-sector. However, there will have been the concomitant growth of unregistered or ‘underground’ accommodation providers who will have instead met market-demand for accommodation. This will have resulted for example, in greater volumes of undeclared cleaning staff in private apartments rented through digital platforms. There was consensus among seminar participants on such a trend, but a lack of information currently available on the extent to which this has occurred, and the volumes involved.

It was also reported at the seminar that there has been a problem during the pandemic specifically in the HORECA sector of the ‘working unemployed’ whereby workers receiving short-term financial support have been continuing to engage in employment. This was mentioned by participants from Spain, Estonia, and Greece as a concern.

This reinforces in the HORECA sector the finding of the Platform webinar held on 29 April 2021 on ‘COVID 19: combating fraud in short-term financial support schemes’. This found that employers claim support for temporary suspension of employment contracts and either: employees continue to work as normal, not knowing the employer is claiming for them; employ the worker (for whom they are claiming support) on either an undeclared basis or ‘bogus part-time’ basis⁸; asks them to ‘volunteer’ (and threaten with fear of redundancy)⁹; employs them in a linked company; employ new workers; or submit claims for higher hourly wages than were earned by the employee (Williams, 2021).

2.3 Explaining the greater prevalence of undeclared work in the HORECA sector

To explain the greater prevalence of undeclared work in the HORECA sector, it is first necessary to state the causes of undeclared work in general. On the one hand, undeclared work is a rational economic decision made when the expected benefits of engaging in undeclared work outweigh the expected costs (and this is why policy initiatives are taken to increase the costs of undeclared work – by increasing the penalties and probability of detection – and to increase the benefits of declared work, by making declared work easier and more beneficial to engage in, such as by providing supply-and demand-side incentives). However, this does not explain why many do not engage in undeclared work even when it would be beneficial for them to do so. On the other hand, undeclared work arises when employers’, workers’, and citizens’ views about the acceptability of undeclared work (‘civic morale’) do not align with the formal rules and regulations (‘state morale’), and therefore policy initiatives

⁷ It is important to be aware that there are best practice ‘dark kitchen’ business models that are transferable to EU member states, if the Platform looks outside of the EU, such as to the UK (Kersley, 2021).

⁸ Goupil, M. (2020) ‘We were asked to lie’: how companies put pressure on their employees to break rules of short time working. Available at: https://www.francetvinfo.fr/sante/maladie/coronavirus/enquete-franceinfo-on-nous-a-demande-de-mentir-comment-des-entreprises-ont-fait-pression-sur-leurs-salaries-pour-enfreindre-les-regles-du-chomage-partiel_3994695.html

⁹ <https://news.sky.com/story/coronavirus-hundreds-of-firms-suspected-of-persuading-furloughed-staff-to-work-11987358> ; <https://www.bbc.co.uk/news/business-52745983>; Goupil (2020).



are taken to educate and raise awareness to change ‘civic morale’ and to make the formal ‘rules of the game’ more acceptable.¹⁰

Why, therefore, is undeclared work more prevalent in the HORECA sector? On the one hand, it must be because the expected benefits of engaging in undeclared work more often outweigh the expected costs. This could be because detection of undeclared work is more difficult and the benefits of declared work lower in this sector, perhaps due to its structure which is dominated by micro- and small-size enterprises, the existence of peaks and troughs in labour demand in line with the seasons, and the long-standing modus operandi in this sector of paying the minimum wage plus tips. On the other hand, it must be because the acceptability of undeclared work is greater in the HORECA sector, perhaps due to the higher proportion of EU mobile and third country workers in this sector but also the long-standing culture of the acceptability of undeclared work in this sector (e.g., the decades-old informal guideline in many countries that service staff should declare circa 10 % of their official income as gratuities on their tax returns, whilst actual tip income is usually between 100 and 200 % of wage income).

Given these explanations for undeclared work, the Platform has adopted an approach for tackling undeclared work which pursues policy initiatives to not only change the cost-benefit ratio confronting potential participants but also to address the acceptability of undeclared work that arises due to the asymmetry between citizens, workers and employers’ norms, values, and beliefs about the acceptability of undeclared work and the formal laws and regulations.

3.0 Tackling undeclared work in the HORECA sector

This section provides an overview of the different policy measures that can and have been taken to tackle undeclared work in the HORECA sector.

Key conclusions

Adopting the Platform’s holistic approach towards tackling undeclared work, the seminar considered both cross-agency working to join-up strategy, operations, and data collection, sharing and analysis, as well as the full range of policy measures that could be used to transform undeclared work into declared work in the HORECA sector.

A wide range of tools are available to both enforcement authorities as well as social partners to tackle undeclared work in the HORECA sector. At present, different tools are being used in different Member States, and the seminar enabled learning to be shared on the full range of policy tools available.

Enforcement authorities can increase the perceived and actual **costs of undeclared work** using deterrence policy tools. The first set of deterrence tools involve sanctions, including: reducing the fine depending on the length of declared contract given to previously undeclared workers; reclassifying the employment relationship; reverse supply chain responsibility initiatives; using compliance and non-compliance lists; excluding non-compliant businesses from public procurement and/or subsidies, and “naming and shaming” initiatives. The second set of deterrence tools involve increasing the probability of detection, including using workplace inspections, and especially cross-agency joint inspections, targeted at the HORECA sector. To enable effective

¹⁰ Williams, C.C. (2017) *Developing a Holistic Approach for Tackling Undeclared Work: a learning resource*, European Commission, Brussels.



inspections, the following are useful: registration of employees before the first day of work; registration of service providers on digital platforms; workplace identity cards, and a clear definition of what is commercial and non-commercial activity. Other tools for increasing the probability of detection of undeclared work in the HORECA sector include the development of data mining and risk assessment systems (including better identifying the “red flags” used to identify “outlier” HORECA businesses), notification letters, and implementing mandatory certified cash registers.

Enforcement authorities can also **improve the ease and benefits of operating in the declared economy** in the HORECA sector using both supply-side and demand-side tools.

Supply-side tools (i.e., encouraging HORECA businesses and workers to operate declared) include: simplifying the regulations for seasonal and smaller jobs; using advisory inspections; introducing threshold amounts for workers to tax-exempt own-account activities (e.g., for home restaurants, “meal sharing”); enforcement authorities offering HORECA businesses access to their risk-assessment ratings to encourage voluntary compliance, and voluntary disclosure initiatives.

Demand-side tools (i.e., encouraging consumers to purchase on a declared basis) include: holiday vouchers to promote use of registered accommodation providers; incentivising electronic transactions; introducing statutory notices on the front page of restaurant menus that it is compulsory to issue cash register receipts or the purchaser has a right not to pay; introducing national receipt lotteries to encourage consumers to request receipts; a social label initiative in the food and beverage service sector that displays staff working conditions (akin to Michelin stars for food quality) using “stars on their doors”, which is likely to be popular with Millennials and Gen Z; and education and awareness raising campaigns targeting employers, workers and/or consumers.

Social partner initiatives to tackle undeclared work in the HORECA sector could include: providing incentives for HORECA businesses to be compliant such as free marketing via consumer shopping guides; further developing existent social label initiatives such as the “Just Tourism” initiative in the hotel sector; introducing workplace ID cards in the HORECA sector (similar to the construction sector); pursuing awareness raising initiatives targeting employers, workers and/or consumers, and providing advice and support schemes (e.g., UNDOC initiative) such as for undocumented workers in the HORECA sector.

Based on the above explanations for the prevalence of undeclared work, the Platform has since its inception advocated the adoption of a holistic approach when tackling undeclared work.¹¹ This involves national governments joining up the policy fields of labour, tax, and social security law at both a strategic and operational level, and cooperation with social partners and other stakeholders. It also means using the full range of policy measures available to enhance the power of, and trust in, authorities. The aim is to transform undeclared work into declared work.

As Figure 1 displays, on the one hand, there are “direct” tools that ensure that the benefits of declared work outweigh the benefits of undeclared work either by using deterrence measures to increase the costs of undeclared work (“sticks”) and/or by making declared work more beneficial and easier using incentives (“carrots”). On the other hand, there are “indirect” tools that repair the social contract between the state and its citizens to foster a high trust high commitment culture. These seek either to change the norms, values, and beliefs regarding the acceptability of undeclared work, so that these align with the laws and regulations (e.g., using awareness raising

¹¹ Williams, C.C. (2017) *Developing a Holistic Approach for Tackling Undeclared Work: a learning resource*, European Commission, Brussels.



campaigns and educational initiatives), and/or to change the formal institutional failings. The emergent recognition is that tackling undeclared work is most effective when direct and indirect policy approaches are combined.

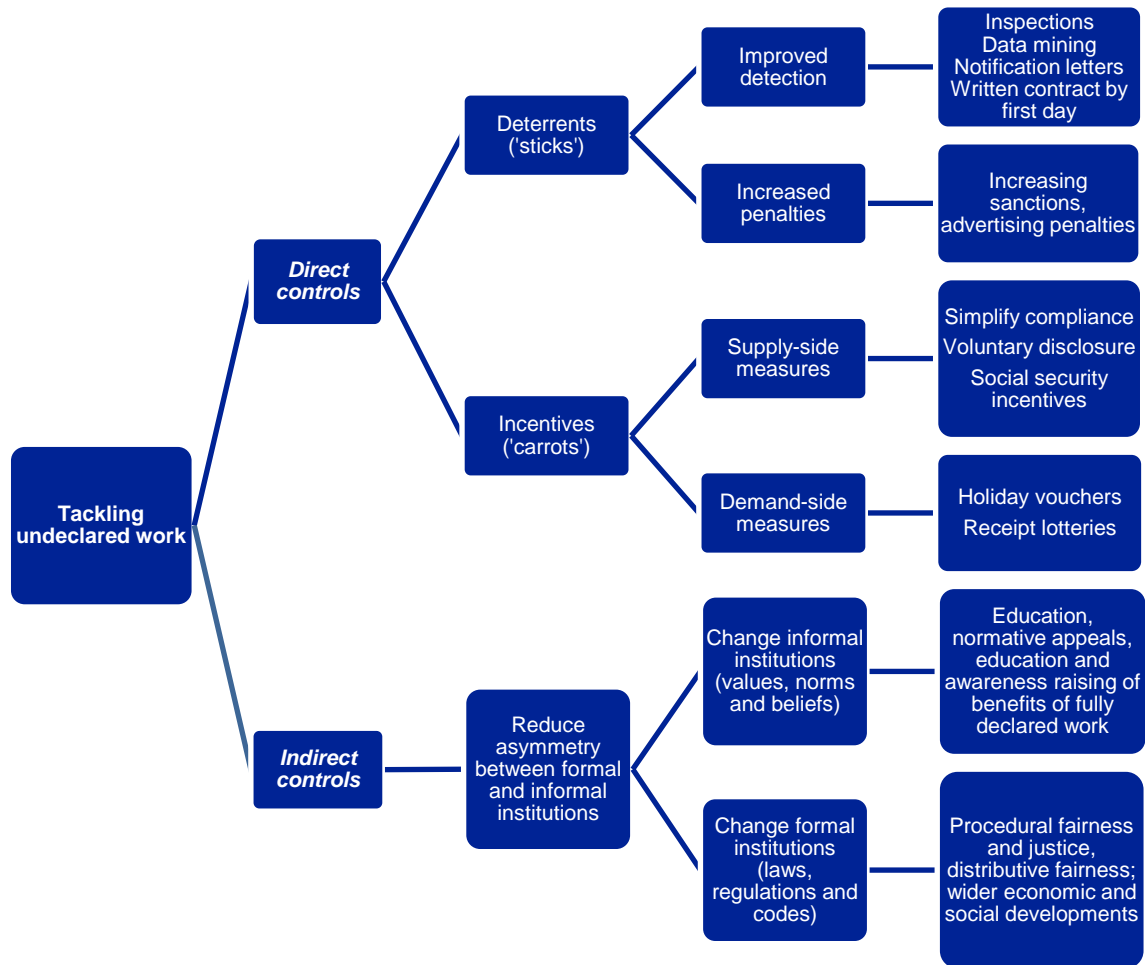
A **sector-specific approach** is an approach where the direct and indirect policy measures used to tackle undeclared work are specifically designed and targeted at one sector whose characteristics in terms of undeclared work are different from other sectors and whose problems and risk factors require a specific approach. In previous Platform seminars, participants have explored how the full range of direct and indirect policy measures can be tailored to address the specific problems witnessed in the construction, agricultural, road and air transport sectors.¹² In this seminar, the intention is to do the same in relation to the HORECA sector whose characteristics, problems and risk factors also demand a tailored approach.¹³

The seminar heard presentations on specific policy initiatives to tackle undeclared work in the HORECA sector, enabling mutual learning on what works and what does not in relation to tackling undeclared work in the HORECA sector and the full range of policy measures available to be considered. Here, the plethora of policy initiatives available are reported, based on both the seminar presentations and further knowledge gathered through in-depth desk-based research on policy tools in the HORECA sector.

¹² Cremers, J, Williams, C.C., Hawley-Woodall, J. and Nikolova, N. (2017) *Tackling undeclared work in the construction industry: a learning resource*, European Platform Tackling Undeclared Work, Brussels. Williams, C.C. (2019) *Tackling undeclared work in the agricultural sector: a learning resource*, European Platform Tackling Undeclared Work, Brussels; Haidinger, B. (2019) *Tackling undeclared work in the road transport sector: a learning resource*, European Platform Tackling Undeclared Work, Brussels; Turnbull, P. (2020) *Tackling undeclared work in the air transport sector, with a special focus on bogus self-employment of aircrews: a learning resource*, European Platform Tackling Undeclared Work, Brussels

¹³ EFFAT and HOTREC (2019) *For a level playing field and fair competition in hospitality and tourism: joint EFFAT-HOTREC Statement on the Platform Economy*, EFFAT and HOREC, Brussels.

Figure 1. Policy approaches for tackling undeclared work



Source: derived from Williams (2017: Figure 1)

3.1 Deterring undeclared work in the HORECA sector

A first set of tools available for tackling undeclared work in the HORECA sector are those that deter such work by increasing the perceived or actual costs of engaging in undeclared work. These tools achieve this by improving the perceived or actual penalties and/or probability of detection. Studies conducted more widely on applying higher penalties do not provide evidence that this is effective at transforming undeclared work into declared work (for a review, see Williams, 2014a, 2018). This scholarship reveals that penalties should not be used as a threat wielded towards all. To do so breaks the social contract between the authorities and citizens, workers, and employers (Ayres and Braithwaite, 1992), which leads to greater non-compliance (Murphy and Harris, 2007) and the opposite behaviour to that sought. Instead, the evidence is that increasing penalties only works when individual ethics are weak. Where social norms are strongly in favour of compliance, sanction severity increases non-compliance (Braithwaite, 2003; Job et al., 2007; Wenzel, 2004). Given the higher acceptability of undeclared work in the HORECA sector, with Õun (2021) identifying that 27 % of HORECA employees tolerate undeclared work in Estonia, this is perhaps a sector where sanctions can be used. Various **sanction tools** are available to penalise HORECA businesses:

- Using sanctions to transform undeclared work into declared work



- ▷ Greece has **reduced the fine depending on the length of the declared contract given to the previously undeclared worker**.¹⁴ This is transferable to other countries. It incentivises HORECA employers to transform undeclared work into declared work.
- ▷ **Reclassifying the employment relationship** when the employer is found to employ an undeclared worker so that the worker is employed as a declared employee. This again transforms undeclared work into declared work. This might be reclassifying those in bogus self-employment as an employee but could also include directing an employer to provide a detected undeclared employee with a declared employment contract for a specific duration.
- ▶ Applying sanctions to citizens or businesses who buy goods and services from the undeclared economy
 - ▷ **Reverse supply chain responsibility** can be used to make businesses at the top of supply chains responsible for ensuring that those employed further down the supply chain operate on a fully declared basis.
 - ▷ **Sanctioning purchasers** when they intentionally instigate undeclared transactions (e.g., asking 'how much for cash?', 'how much without a receipt?') is hypothetically possible but the 'burden of proof' perhaps limits its feasibility.
- ▶ Non-compliance and compliance lists
 - ▷ **Listing non-compliant businesses** who have recently violated tax, labour, or social security law. These can be compiled either by enforcement authorities or social partners.
 - ▷ **Listing compliant businesses** with no tax, labour, or social security law sanction against them in the recent past.
- ▶ Excluding sanctioned businesses from bidding for public procurement contracts and receiving subsidies
 - ▷ Those on 'non-compliance' lists can be **excluded from bidding for public procurement contracts**
 - ▷ There is also the sanction of **excluding non-compliant businesses from access to subsidies**.
- ▶ **'Naming and shaming'** lists. Although usually associated with enforcement authorities, social partners and civil society groups have also adopted this sanction. For example, in the city of Bologna in Italy where a 2017 government report¹⁵ identified that 72.6 % of jobs in the city's food and hotel sector were in the undeclared economy, a civil society group has taken direct action staging protests outside selected businesses.

Besides sanctions, the **perceived and/or actual probability of detection** can be increased. The most prominent means of achieving this is **inspections**. given the prevalence of undeclared work in the HORECA sector, one way forward is to give strategic priority to workplace inspections in this sector and engaging in cross-agency inspections. The seminar heard a presentation from Croatia on how this had been pursued using a cross-agency approach during the summer of 2021 (Markota, 2021).

¹⁴ Williams, C.C. (2019b) [Preventative approaches for tackling undeclared work, focusing upon tax rebates and notification letters](#), European Platform Tackling Undeclared Work, Brussels

¹⁵ <http://www.bolognatoday.it/economia/lavoro-nero-bologna-emilia-romagna-2017.html>



Box 1. Coordinated inspections during the summer tourist season (Croatia)

From 1 April 2019, there has been a new State Inspectorate in Croatia composed of 17 different sub-inspectorates (including the labour, tourism, construction, water, energy, forestry, agricultural, etc inspectorates). From July 1 until August 15, 2021, 12 of these sub-inspectorates carried out 2 148 coordinated joint inspections (with three or more sub-inspectorates) during the tourist season. The aim was to contribute to the successful realisation of the summer season to protect the public in the context of the protection of workers, people, animals, plants, natural resources, and the environment. Out of the 2 148 inspections, no violations of regulations were found in 1 280 inspections (60 %). In 40 % of inspections, a total of 1 057 violations of the regulations were identified. The inspectors of the State Inspectorate issued a total of 415 administrative decisions in the reporting period, of which there were 155 administrative decisions on the prohibition of performing activities and 260 administrative decisions on the elimination of identified deficiencies.

Labour inspectors were controlling for: concluding an employment contract in writing; registration for pension and health insurance; work based on various civil contracts in cases when such work (given the nature and type and authority of the employer) has the characteristics of a job; third country nationals and the work of minors, regular pupils, and students. Inspections were conducted in hotels, camps and other facilities for accommodation, restaurants, and bars (i.e., the HORECA sector). From 1 July until 31 August, labour inspectors conducted 184 inspections, identifying a total of 57 offences against employers, natural and legal person, and responsible persons. 21 misdemeanour charges have been sent to the courts and issued and 9 misdemeanour warrants. 18 administrative measures relate to undeclared work due to non-registration of employees (10) on mandatory pension insurance before starting work and 30 related to illegal work of third country nationals without a residence and work permit or certificate of registration of work in Croatia.

Given its success, there are plans to organise similar actions in future in different sectors, and especially to increase supervision of third-country nationals.

Source: HORECA Seminar presentation by Markota (2021).

Another example of such a cross-agency approach resulting in joint inspections in the HORECA sector was reported in Denmark (Lerkilde, 2021).

Box 2. Joint inspections of foreign enterprises (Denmark)

In Denmark, the Working Environment Authority (WEA) with the Danish tax authority and police conducts annual joint inspections (actions). From 2012 – 2020, there have been 65 national actions, 268 regional actions and many ad hoc joint inspections. In total, there have been 4 676 visits at workplaces (of which 871 is in the HORECA sector), 5 892 inspected enterprises and 3 297 violations against Working Environment Act.

The preparation of these joint inspections involves firstly, planning groups with the WEA, Tax Authority, and the police. The joint inspections are carried out based on information given by each authority, trade union, persons, etc. The inspections are carried out when the work is carried out (e.g., cleaning early morning or late evening).

The WEA inspects: Danish and foreign enterprises; compliance with the occupational safety and health rules; compliance with the legislation on smoke-free environments; and verifies foreign enterprises notifications in Register of Foreign Service Providers (RUT). The WEA focus on HORECA has involved Danish companies using foreign workers in hotels (cleaning and housekeeping), restaurants (kitchen work and dishwashing) and catering (food preparation such as slicing vegetables and cleaning).



The main challenges are (1) to get the foreign workers talking and thus get the necessary information. Therefore, an interpreter is always used to translate if they do not speak Danish or English and (2) to control cleaning, as it is difficult to know when and where the work is performed.

Source: HORECA Seminar presentation by Lerkilde (2021).

Inspections in the HORECA sector, however, as these presentations showed and participants discussed, face specific problems. For example, in the short-term accommodation rental sector, including those sourcing customers online, the fact that private homes are involved may create complications for inspectors who may be **prohibited by national law from entering homes**. This reveals the importance of Member States developing a **clear definition of what is commercial and non-commercial activity**, especially in relation to accommodation providers via online platforms.

Announced inspections, such as in the restaurant sector during high season, is another option. The lesson from Belgium, however, albeit not in the HORECA sector, is that unless announced inspections are well-publicised among the target group, their effectiveness is reduced (see Williams, 2019b). Another way in which inspections might become more effective is by introducing **workplace ID cards** in the HORECA sector, akin to the construction sector (Briganti et al., 2015). A related, but wider, option is the introduction of a **European Personal Labour Card (EPLC)** for all EU citizens and third-country nationals active on the labour market (EFBWW, 2021). This might further facilitate checks on worker registration through digital verification during inspections.

Such cards enable effective detection during inspections only if there is **registration by the first day of commencing work**. If not, employers can claim that the worker is on their first day of work during an inspection. It is similarly the case that HORECA business registration is required. This is not always the case, especially in relation to the **registration of service providers on collaborative platforms**. The 2019 annual Platform survey finds that enforcement authorities in 43 % of countries responding have introduced licensing/authorisation of service providers. In most cases, however, this applies to online transport services, not HORECA services. Good practices are Ireland and Iceland where short-term home rentals must be registered whilst in Greece, all online service providers need to be registered through the tax authority's (IAPR's) website and have a unique registration number to provide services on digital platforms.

A key means of increasing the probability of detection and improving the effectiveness of inspections, nevertheless, is to improve capabilities to identify 'risky HORECA businesses' using **data mining and risk assessment**. One simple 'red flag' could be the minimum staff required for each type of HORECA business (e.g., bars, restaurants, hotels). Other 'red flags' of **'outlier'** HORECA businesses might be those: who have higher than average expenses; higher ratios of credit card to cash payments compared with other similar businesses; lower than average wage levels, and/or a relatively low number of registered employees for their turnover. This outlier approach can then be further developed over time using **dynamic benchmarking** to better identify risky HORECA businesses. For example, third party data from **banks on credit card transactions** can be compared with reported turnover on tax returns to identify 'outlier' hotels or restaurant businesses who have turnover to total credit card transactions deviating from the norm.

The seminar heard how Spain has been active in both adopting strategic targeted inspections in the HORECA sector as well as using data matching and mining to identify undeclared work in the HORECA sector (see Box 3).



Box 3. Reinforcement campaign in two insular regions and campaigns and actions from the Anti-Fraud Tool unit (Spain)

The seminar heard about two initiatives to tackle undeclared work in the HORECA sector, namely a reinforcement campaign in the Balearic Islands and Canary Islands, and the work of the Anti-Fraud Tool Unit.

To tackle undeclared work in the HORECA sector in the Balearic Islands and Canary Islands, since 2014, inspectors and sub-inspectors from other Spanish regions were sent for an approximately three-week period to these islands to tackle undeclared and under-declared work, social security registrations and contributions, contracts (temporary and part-time) and to control vocational training programmes. This is the result of an agreement between the Ministry/stage agency ITSS and the Balearic Islands government and the Ministry/stage agency ITSS and the Canary Islands governments.

The Anti-Fraud Tool Unit (HLF) of the ITSS, meanwhile, has conducted data matching and mining exercises in the HORECA sector between 2017 and 2021. The result has been 16 500 investigations, EUR 16.7 million in proposed sanctions, over 16 000 undeclared workers detected and registered, and over EUR 49 million in non-paid social security contributions detected and claimed. In 2021 alone, 8 589 temporary contracts have been converted to open-ended contracts.

Source: HORECA Seminar presentation by Nunez-Garcia Bada (2021).

Notification letters can also be used to improve compliance. These are postal or email communications from enforcement agencies to companies or workers, giving information on applicable legal obligations and systems of control in place. In Estonia, notification letters with follow-up inspections were used in the hotel and catering sector. The hotel and catering businesses receiving notification letters in November 2011 were requested to revise their declarations for December. By January 2012, almost 800 of the 1 300 had changed their declarations. As a result of the follow-up inspections, 22 catering and 25 accommodation businesses improved their compliance. Before the inspections, the average declared salary in the catering companies was EUR 277 and EUR 308 in the catering and accommodation companies. Following the inspections, the average declared salary increased to EUR 325 (by 17.3 %) in catering and EUR 348 (by 13 %) in accommodation businesses. The number of employees increased in 13 catering companies (by a total of 35 employees) and in six accommodation companies (by a total of eight employees).¹⁶ Such a system of sending notification letters is also used in Spain.¹⁷

Another initiative is **certified cash registers** (Williams, 2018). This has a black box connected to the cash register which reports transactions to the tax authority. Box 4 provides an example of their introduction in Belgium, alongside other measures, presented at the seminar.

Box 4. Black box cash registers and related incentives ('flexi-jobs' and 'cheap overtime') in the hospitality industry (Belgium)

In 2015, Belgium introduced certified cash registers (i.e., a white cash register with a black box) in the HORECA sector along with some contentious compensative measures, such as 'flexi-jobs', available to workers that already work at least 4/5 days of a full-time contract elsewhere as well as to pensioners. If those workers start a side-job in the HORECA sector, the HORECA employer only pays 25 % in social and fiscal charges. Another

¹⁶ <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/targeted-control-of-enterprises-for-undeclared-work-estonia>

¹⁷ <https://www.ela.europa.eu/sites/default/files/2021-09/ES%20-%20Notification%20Letters.pdf>



assistive measure was ‘cheap overtime’ for employers using certified cash registers, with overtime (for full-time staff only) free of any charges up to a maximum of 360 hours per year per employee.¹⁸

Since 1 July 2016, the white cash register has been mandatory in any Belgian businesses where EUR 25 000 or more of the turnover comes from meals (excluding beverages and VAT). The main activity of the business is not relevant. This covers bakeries, coffee shops, food trucks and fashion stores and anywhere meals are consumed. The exceptions are pre-packaged products requiring no further preparation (e.g., a catering service that only delivers or collects ready-to-eat meals without any additional service or a store that offers prepared meals without additional service).

One of the innovative aspects of black box cash registers in Belgium is that their purpose is not only fiscal to record all transactions but also social to register the staff using them by sending the national number of the cash register user to the black box.

The outcome is that all transactions can be registered, and these transactions can be linked to an employee. The black box cash register ensures that the correct turnover is declared, and the employer can, on request of inspectors, retrieve a list of who was working on which day. An app has been developed that enables this data to be retrieved via a USB stick that is useful for the inspectors. The disadvantage of the current system is that inspectors need to go on site to read the data from the cash register (online controls are not possible) and the cash register is not generally mandatory (only 505 of the employers of the sector use a black box cash register). In addition, few employers use the reduction available and are therefore not required to register all staff. That is, when introduced, employers were offered ‘cheap overtime’ if they used certified cash registers, with overtime (for full-time staff only) free of any charges up to a maximum of 360 hours per year per employee.

To improve the effectiveness of black box cash registers in detecting undeclared work, making its use **mandatory** would have the advantage that data could be requested from more employers and enhance the possibilities for monitoring by social inspections services, provided that these inspection services have the necessary powers and reading equipment. In addition, the black box does not contain a time registration for a worker. It is only possible to see who performed a transaction at which moment. As such, making the black box cash register data available centrally and creating an unambiguous identification of workers using the cash register could save time. In addition, introducing compulsory registration on arrival and departure would make the white register more complete. Finally, to improve its effectiveness, there is a need to encourage customers awareness of the need to get a VAT receipt so that all turnover is recorded (see below for policy tools to do this).

Source: HORECA Seminar presentation by Mortelé (2021).

Social partners can also play a key role in improving the detection of undeclared work in the HORECA sector. One option is a supply chain due diligence initiative, such as in larger hotel chains as a core component of their corporate social responsibility (CSR) strategies. As the ILO (2016) recommend, either the employer at the top of the supply-chain could take responsibility or an initiative based on joint liability could be adopted. This would provide a demonstration effect. Until now, however, no known initiative of this kind has been so far adopted. For HORECA businesses seeking to develop compliance in their supply chains, the U.S. Department of Labor has produced a useful app which provides a practical step-by-step guide, including examples of good practice.¹⁹

¹⁸ Although social security data revealed an extra 22 000 jobs in the Belgian HORECA sector, industry body Horeca Vlaanderen confirms the jobs are not new, but are formerly undeclared jobs which have now been booked as flexi-jobs, often second jobs https://www.vrt.be/vrtnws/en/2017/07/23/black_economy_ontheropesinhospitalityindustry-1-3031120/

¹⁹ <https://www.dol.gov/general/apps/ilab-comply-chain>



3.2 Incentives for preventing undeclared work in the HORECA sector

Besides using deterrence measures to increase the costs of undeclared work ('sticks'), enforcement authorities can also make declared work more beneficial and easier using incentives ('carrots'). On the one hand, these can target suppliers and on the other hand, purchasers of undeclared products and services in the HORECA sector.

3.2.1 Supply-side incentive measures

Participants in undeclared work in the HORECA sector might be either intentionally or unintentionally non-compliant. One option, especially for the latter group, is better information on how to comply (see section 3.3 below). Another option is to **simplify compliance**. An example relevant to the HORECA sector is to move smaller or seasonal jobs, often conducted undeclared out of necessity due to complex compliance procedures, into the declared economy by introducing **simplified regulations for smaller and seasonal jobs**. An example is the 2010 Simplified Employment Act (*Egyszerűsített foglalkoztatási törvény*) in Hungary.²⁰ This enables the simplified work contract to be notified either by: a simple text message (SMS) or electronically via the Client Gate System after the employer is registered (<https://ugyfelkapu.magyarorszag.hu/>). Similar policy initiatives have been introduced in Bulgaria²¹ and Croatia.²²

Another simplification of compliance is to simplify compliance for micro-enterprises operating in the HORECA sector. In **Belgium**, small service providers in the collaborative economy earning less than EUR 5 000 per year have a standard 10 % tax rate, with the platform administering the tax contributions (Heyes and Newsome, 2017). This means the authorities know who is doing such work and their earnings. For example, in the HORECA sector in Belgium, a collaborative economy platform enables chefs to offer takeaway meals which they cook at home. This new tax system means they try out and develop their skills as a chef without having to set up as a freelancer (which can be complicated). Of the chefs operating on this platform, 10-15 % are freelance chefs supplying services on the collaborative platform to earn extra income; some 50 % are working as 'hobby chefs' (with a turnover of less than EUR 1 000 per year), and some 35 % use the platform to test-trade their business with the aim of reaching the EUR 5 000 threshold and becoming freelancers in future.²³

A further simplification might be to offer a **standard amount that can be earned tax free from own-account activities** in the HORECA sector. They do not have to register as self-employed or complete a self-assessment tax return. This would bring into the declared economy small-scale occasional work that was before usually classified as undeclared work, such as work conducted by casual restaurant and cafe workers, and very short-term temporary hotel staff. This could be combined with the simplified regulations for smaller and seasonal jobs mentioned above.

These compliance simplifications are potential solutions to address small-scale providers of **private home restaurants and 'meal sharing'**. Indeed, one of the largest home restaurant platforms claims 20 000 hosts, and 150 000 guests with 5 000 foodie experiences daily across 130 countries. It also provides all hosts and guests with a EUR 5 million liability guarantee.²⁴ As HOTREC (2018a, 2018b) highlights, European restaurant businesses are facing unfair competition from these new operators. The on-demand supply of food and drink through online

²⁰ <https://ec.europa.eu/social/BlobServlet?docId=21457&langId=en>

²¹ <https://ec.europa.eu/social/BlobServlet?docId=18610&langId=en>

²² <https://ec.europa.eu/social/BlobServlet?docId=20294&langId=en>

²³ Williams, C.C. and Horodnic, I. (2020). *Tackling undeclared work in the tourism sector*, European Platform Tackling Undeclared Work, Brussels.

²⁴ Williams, C.C. and Horodnic, I. (2020). *Tackling undeclared work in the tourism sector*, European Platform Tackling Undeclared Work, Brussels.



platforms that connect 'kitchens' (e.g. home restaurants, dark kitchens) with consumers are a threat to standard restaurants where different standards apply. So do 'meal sharing' platforms connecting travellers with local hosts. The business model of these platforms is to charge 15 %-20 % of the dining experience fee the guests pay the host. Despite this surcharge, in 2015, 45 % of members of the Italian Federation of Public and Tourist Operators reported in a survey that the price gap between home restaurants and standard restaurants was over 20 % (HOTREC, 2018b). To resolve this home restaurant problem in the **Netherlands**, in 2017 a hospitality association (Koninklijke Horeca Nederland, KHN) called for compulsory registration of home cooks and in a 2018 opinion paper for **compulsory host registration, an obligation for platforms to share data with the authorities, and the use of thresholds** for both short-term rentals and home restaurants (HOTREC, 2018a)

Another incentive for suppliers to make the transition from undeclared to declared work in the HORECA sector is to offer the opportunity to **voluntarily disclose** their previous non-compliance (see OECD, 2017). These can be generic schemes or targeted such as at restaurants or hotels. They involve an enforcement authority offering a limited time offer to suppliers to comply, and if they do, not to be subject to sanctions. Once this time-period ends, they might be informed that those detected as non-compliant will be subject to the full force of the law. Notification letters might be used to announce such a voluntary disclosure initiative. This offers HORECA businesses that have been non-compliant with a limited-time incentive to become legitimate. In New Zealand in 2019, such a voluntary disclosure initiative targeted the HORECA sector.²⁵

Another option to make it easier to comply is for authorities to release their risk-assessment rating calculations to HORECA businesses. As Box 5 displays, this has been used in Estonia.

Box 5. Should enforcement authorities disclose their risk assessment rating to HORECA businesses? the ETCB tax behaviour rating e-service (Estonia)

In June 2020, the Estonian Tax and Customs Board (ETCB) launched an e-service that allows businesses to see their tax behaviour rating online. The legal representative of the company can view their rating based on a traffic-light system. Green represents 'everything is okay', yellow indicates 'some deficiencies' and red means 'serious deficiencies', with guidance provided on how to rectify the rating. In the HORECA sector, everything is in order in 2 899 enterprises (55.7 %), there are some deficiencies in 1 244 (23.9 %) and significant deficiencies in 1 065 (20.4 %). The proportion of HORECA businesses with significant deficiencies increases in the summer months, rising from a low of 13.4 % in March to a high of one-quarter (24.9 %) of all HORECA businesses in July.

Issues are often about incomplete data, but the largest number of cases relate to 'envelope wages' (i.e., declared wages of a company which are much lower than the average wages for similar positions). The ETCB view there to be a risk of envelope wages in businesses where wages are less than 70 % of the average wage. The share of undeclared work in the HORECA sector is about 6-7 %, and the probability of detecting unregistered workers increases in the summer months. There is also low tax morality in the sector in the sense that workers find it acceptable to engage in undeclared work. 73 % of HORECA employees do not tolerate undeclared work. There is also a new negative trend resulting from the pandemic of the 'working unemployed'. Workers who became unemployed due to the pandemic restrictions in the HORECA sector and receive unemployment benefits (a monthly subsidy) from the state, returned to work without registration.

²⁵ <https://www.interest.co.nz/personal-finance/101987/ird-launches-hidden-economy-campaign-targeting-hospitality-sector-saying-it>



Seeing the company rating in advance allows the company to address the issue and correct the deficiencies before they are approached by the tax authority and become subject to tax control (ETCB, 2020). Some 45 % of all HORECA businesses have viewed this service to see their rating.

As such, this e-measure provides the incentives for companies to address their ratings before they are notified. As audits are expensive and time-consuming processes, it is in the interest of the businesses as well as the government for companies to do so if they are making simple and honest mistakes.

Source: HORECA Seminar presentation by Öun (2021).

Social partners can offer incentives as well to operate declared. In Greece, the Hellenic Confederation of Commerce and Entrepreneurship (ESEE), co-financed by Greek and EU funds, adopted a '**Business walking routes**' marketing initiative that provided free marketing to compliant businesses. Tourists were provided with maps of six walking routes in Athens city centre, each themed for buying specific goods. Only businesses were included that had no compliance issues outstanding (see ILO, 2016). Offering this 'carrot' of free advertising and marketing could be replicated elsewhere, perhaps using a more modern approach that uses a **smartphone app for tourists** of these routes, perhaps developed by university students as a competition for the best app with a small prize awarded. Cooperation with enforcement authorities is required to provide a list of compliant businesses.

3.2.2 Demand-side incentive measures

Besides making it easier and beneficial for businesses and workers in the HORECA sector to operate declared, **consumers can be incentivised to purchase declared HORECA products and services.**

One demand-side option is to encourage customers of food and beverage service providers, and accommodation providers, to request receipts. When this is combined with the use of certified cash registers (discussed above), it allows a higher proportion of transactions to be recorded and reported. For example, in restaurants in **Romania**, it is a statutory responsibility for the front page of menus to display a statement that it is **compulsory for the restaurant to issue a till receipt for the price of the meal**. If it does not, the purchaser has the right not to pay for the meal. A similar initiative exists in Greece. The consumer in Greece is not obliged to pay, either in cash or by card, if they are not provided with a valid payment receipt (*apódixi* in Greek).²⁶ Such an initiative is easily transferable to other countries. Seminar participants widely and strongly supported the wider use of this policy tool.

Another encouragement that can be given to consumers to request receipts is to provide them with a reason for doing so. If they can say to the HORECA business that they want a receipt 'to win the lottery', then this does so. This is the simple idea underpinning a **receipt lottery**. Consumers are incentivised to request a receipt because its acts as a free-of-charge ticket to enter the lottery and win a prize. Receipt lotteries currently operate in for example Greece, Romania²⁷ and Portugal.²⁸

A further demand-side initiative in the HORECA sector, again in Romania, is the **holiday vouchers** scheme. From 2015 until 2019, these were given to public sector workers to promote the use of registered hotels and accommodation and reduce undeclared earnings. In 2018, almost 1.2 million Romanians received such vouchers worth RON 1 450 (EUR 305). In 2018, the number of accommodation providers applying for a license increased by almost 60 %, and by 65 % in the first quarter of 2019 compared with 2018. This registration of accommodation

²⁶ <https://greece.greekreporter.com/2019/08/17/apodixi-please-greeces-campaign-to-inform-tourists-about-tax-evasion/>

²⁷ <https://ec.europa.eu/social/BlobServlet?docId=17873&langId=en>

²⁸ Wilks, D.C., Cruz, J. and Sousa, P., (2019) "'Please give me an invoice': VAT evasion and the Portuguese tax lottery", *International Journal of Sociology and Social Policy*, Vol. 39 No. 5/6, pp. 412-426. <https://doi.org/10.1108/IJSSP-07-2018-0120>



providers will have led to a reduction in undeclared earnings in this sector.²⁹ Such a **holiday vouchers** initiative is potentially transferable to many other countries.

Given that undeclared transactions are often, albeit not exclusively, paid in cash, **detering the use of cash**, and **encouraging electronic payment** is another demand-side preventative measure. Several policy tools exist for countries pursuing this demonetisation approach. These tools include: introducing a ceiling for cash transactions; making point-of-sale (POS) terminals available across all sectors, such as bars and restaurants; for governments to shift more fully towards electronic payments; discouraging easy access to cash, including no-fee automated teller machines (ATMs); and providing incentives for card usage at the point-of-sale (Argentina for example, offered a 5 % VAT discount on debit card transactions and 3 % on credit card purchases). In Greece, the Foundation for Economic & Industrial Research (2015) estimate that the tax revenues increase by 0.24 percentage points for every percentage point growth of the use of payment cards.

3.3 Awareness raising

So far, all the policy initiatives considered seek to deter undeclared work in the HORECA sector or to make it easier to engage in, and increase the benefits of, declared work. However, undeclared work in the HORECA sector is not always solely a rational economic decision. It also often results from a lack trust in the state and/or a lack of understanding of the benefits of compliance.³⁰

Education and awareness raising campaigns can therefore play a key role in tackling undeclared work in the HORECA sector. They seek to elicit voluntary cooperation, rather than enforced compliance, which is a potentially far cheaper, more effective, and sustainable way of addressing violations of tax, social security and labour law related to undeclared work than using inspections to detect non-compliant behaviour and incentives to encourage those in the HORECA sector to operate on a declared basis. Indeed, this is a realm in which social partners have a key role to play in leading such awareness raising campaigns.

Until now, nevertheless, few educational and awareness raising initiatives have targeted the HORECA sector, whether employers, workers, or consumers. One exception is **Cyprus**. The seminar heard how information seminars had been organised since 2017 by the labour inspectorate for trade unions and employer organisations. More than 200 trade unionists/employees and 60 employers had participated. These seminars focused upon the impacts of undeclared work, the law regarding compliance, strengthening cooperation and pro-active measures that could be taken. These seminars have led to greater tripartite cooperation than was previously the case (Apostolou, 2021).

Another exception is a 2015 campaign in the Algarve region of Portugal targeted at motorhome owners, to reduce their use of unlicensed campsites and wild camping by informing them that this can result in fines. The Algarve Motorhome Support Network (RAARA) was launched as a joint venture by the Algarve Regional Development and Coordination Commission (CCDR Algarve), the Algarve Tourism Board (*Região de Turismo do Algarve*), the Algarve Tourism Association (ATA) and the Algarve Inter-municipal Community (AMAL). To reduce the use of unlicensed campsites and wild camping, it lists and promotes the official camping sites and secure motorhome servicing areas where motorhome owners can stop and spend the night. This is a straightforward educational initiative with information placed on visitalgarve.pt. As Table 1 displayed, however, camping grounds, recreational vehicle parks and trailer parks is a very small component of the HORECA sector comprising just 0.8 % of all HORECA enterprises and 0.7 % of all HORECA employment. Similar education and awareness raising campaigns

²⁹ See Williams, C.C. and Horodnic, I. (2020). [Tackling undeclared work in the tourism sector](#), European Platform Tackling Undeclared Work, Brussels

³⁰ See Williams, C.C. and Horodnic, I. (2020). [Tackling undeclared work in the tourism sector](#), European Platform Tackling Undeclared Work, Brussels



in larger HORECA sub-sectors are a way forward, such as the virtual-reality films used in Sweden targeting employers and workers in the restaurant sector.³¹

It is not enforcement authorities alone who engage in education and awareness raising in the HORECA sector. Social partners have a key role to play. The seminar heard an example from Austria of an education, advice, and support initiative for migrant workers (see Box 6).

Box 6. Helping undocumented workers: the tripartite UNDOK initiative (Austria)

UNDOK is a tripartite initiative to provide advice and support to undocumented migrant workers in Austria which uses the slogan 'Working without papers but not without rights'. Member organisations include trade unions, Chamber of labour (Vienna), NGOs, migrant organisations, and activists.

They deal with undocumented workers who, for example, have: no valid residence permit (to begin with; overstayer); a residence permit, but no work permit (because the residence permit does not allow for a work permit or it must be applied for separately); a residence permit and work permit, but working outside the limits of the work permit (a different job, more hours, ...).

UNDOK provides support for undocumented workers such as by offering legal counseling, writing letters to employers and going to court. The organisation also offered know-your-rights workshops, workshops for organisations working with migrants, and engages in public relations, networking, and lobbying.

In 2020, 117 people had contacted UNDOK, including 10 working in the HORECA sector, and 6 letters had been sent to employers. In 2021, one case had been settled and there was one ongoing court procedure. Examples of clients they have supported in the HORECA sector include: a chef working without residence or work permit; and a worker with a work permit only for one specific restaurant but had been asked by the franchise to work in different restaurants.

Source: seminar presentation by Kimm (2021)

Another option is to use **social labelling initiatives** to allow consumers to know that the HORECA business respects fair working conditions. An example is EFFATs '**Just Tourism**' initiative in the hotel sector.³² To help consumers selecting hotels that respect workers' rights, EFFAT-IUF have launched the website [Just Tourism](https://www.justtourism.org/). This scheme currently operates in Croatia, Denmark, Ireland, USA/Canada, Norway, Slovenia, and Sweden. For example, in Slovenia, there is the [fairhotels.si](https://www.fairhotels.si) campaign, an initiative of the trade union which represents hotel workers. Fair Hotels are defined as hotels that treat their staff fairly which are covered by collective agreements. The objective is to support and promote quality employment in the hotel industry in Slovenia by encouraging consumers to choose Fair Hotels for leisure, meetings, and conferences. In Croatia, meanwhile, there is www.fairhotels.com.hr, an initiative by the Union of Tourism and Catering of Croatia (STUH). This provides an online list of hotels in Croatia where collective agreements have been negotiated and worker rights are respected. The union is seeking to promote a quality of tourism in which worker rights are embedded and to involve a maximum number of hotels. Seminar participants widely and strongly supported the further extension of this policy tool.

Such demand-side social label initiatives are likely to be very attractive to Millennials and Gen-Z. A similar initiative could be developed on labour standards in food and beverage serving businesses (akin to existent social label initiatives for food quality standards, such as Michelin stars, and the existent quality assurance initiatives on hygiene standards) based on a similar 'stars on their doors' approach. Again, seminar participants widely and

³¹ <https://ec.europa.eu/social/BlobServlet?docId=20470&langId=en>

³² <http://www.justtourism.org/>



strongly supported this as a potential policy tool for tackling undeclared work in food and beverage serving businesses.

Despite the relative lack of education and awareness raising campaigns targeted at the HORECA sector, it has been used as a case study to advance understanding of **effective messaging in education and awareness raising campaigns** on undeclared work. It is important to persuade the target audience to see the campaign as being about them. Those engaged in undeclared work justify their actions using **neutralisation techniques (NTs)** which they use to rationalise their non-compliant behaviours.

Campaigns seeking to transform undeclared work into declared work need to overcome these neutralisation techniques (or rationalisations) that those engaged in this deviant behaviour use to justify their actions and neutralise their guilt (Apostolidis and Haeussler, 2018). If they do not, then the campaigns will not be effective in eliciting behaviour change. As Apostolidis (2021) pointed out at the seminar, some of the most common neutralisation techniques include:

- ▶ **denial of responsibility** rationale - apparent when suppliers of undeclared work interpret the publicity about the negative impacts of undeclared work to be directed at others, who could be bigger players than them, rather than them. Campaigns therefore should advertise the extent of non-compliance among the average supplier of undeclared work (e.g., in the HORECA sector) so that these suppliers will not view their own activity as 'minor' compared with others.
- ▶ **denial of injury** rationale - suppliers deny their undeclared work has had negative impacts on others and rationalise it by asserting that without them participating in undeclared transactions, customers would have had to pay a higher price or would have been unable to afford to receive the services provided. Campaigns therefore should publicise ways in which customers suffer by purchasing undeclared.
- ▶ **denial of victim** rationale - suppliers may accept the negative impacts of their undeclared work but believe that the victims deserve it. This may require that campaigns provide human stories of individual victims.
- ▶ **appeal to higher loyalties** rationale - suppliers justify their undeclared work in terms of an alternative set of loyalties or social order, believing that this justifies their actions (e.g., they are doing it for the benefit of their own family rather than society). This can be countered by showing how these 'higher loyalties' (e.g., their family) can be also negatively affected by those supplying undeclared work.
- ▶ **condemnation of condemners'** rationale - suppliers may claim that the law, the lawmakers, and law enforcers are to blame for an unjust system and believe that their community rejects these formal rules and that this makes undeclared work a socially legitimate activity. To tackle this requires stories of the 'progress' being made towards a 'just' system and the significant benefits of them operating declared.
- ▶ **defence of necessity** rationale - suppliers justify their actions as the outcome of personal circumstances (e.g., they cannot access fully declared employment, or they engage in undeclared self-employment out of necessity and as a survival practice). This requires that information provided to such suppliers on any organisations, resources and/or procedures that they can access so that they do not have to engage in undeclared work out of necessity.

To evaluate which of these rationales/neutralisation techniques are commonly used among tourists to justify their undeclared transactions, a seminar presentation was given reporting a survey of Greek, UK, and German tourists on holiday in Greece (see Box 7).



Box 7. Consumers' rationales for engaging in undeclared transactions in (Greece)

In-depth interviews with tourists from Greece, UK and Germany were undertaken in Greece to see what neutralisation techniques they used to justify their undeclared transactions in the 'shadow hospitality' sector.

All the neutralisation techniques above were present but some were more common. For British and German respondents, the main rationale used was the *denial of responsibility*.

Greek respondents drew on a more multifarious range of neutralisation techniques to justify their undeclared transactions. More than half of the Greek respondents argued that hotel owners have also benefited from the current situation through tax evasion and unethical practices for a long time (*condemning the condemners*), while many also claimed that no one directly suffers as a result, as the economy does not lose from such activities (*denial of injury*). To a lesser extent, some Greek respondents claimed *appeal to higher loyalties*, stating that the positive consequences of undeclared transactions (e.g., supporting the local economy or encouraging healthy competition) outweigh the potentially negative ones. Limited reference was also made to *denial of victim*, with respondents stating that any negative impact of undeclared transactions is related to market competition and there are no victims, to explain their acceptance of it.

Finally, one more rationale was prevalent, namely a *claim of normalcy*, with respondents claiming that accepting undeclared services is not wrong, as many people are doing the same thing.

Five broad themes emerge to explain these consumers acceptance of undeclared work in the hospitality economy: economic benefits; domesticity; supporting local communities; seeking authentic experiences, and uniqueness. Perceived quality, penalties and shame negatively influence their acceptance of such undeclared transactions.

Although the consumers interviewed appear aware of the issues associated with undeclared transactions, all the above neutralisation techniques/rationales were used to justify its acceptability and avoid (self-)blame.

Source: For further information, see Apostolidis and Haeussler (2018).

In sum, awareness campaigns need to overcome these rationales used to justify their undeclared transactions and neutralise their guilt. If they do not, campaigns will be ineffective. On the supply-side, this requires messages that: advertise the extent of non-compliance among the average supplier of undeclared work (in the sphere being targeted) so that people will not view their own activity as 'minor' compared with others; display how customers suffer through human stories of individual victims; show how their family might be negatively affected by others supplying undeclared work; reveal the significant benefits of everybody operating on a declared basis, and provide advice to undeclared workers about where they can make complaints and seek support.

On the demand-side, meanwhile, education and awareness campaigns need to address three specific rationales when developing their messages to encourage tourists to not engage in undeclared transactions. Firstly, the denial of responsibility needs to be addressed, by showing tourists in messages how their small actions (e.g., paying without a receipt) when added up, have major negative consequences. Secondly, messages need to show that they can say no to undeclared transactions and that blaming others (e.g., accommodation providers) is not an excuse. And third and finally, messages need to tackle the 'denial of injury' excuse by using human stories of individuals displaying how they suffer as a direct result of tourists' actions (e.g., local wait staff).



4.0 Key Learning Outcomes and Practical Recommendations

Undeclared work, particularly unregistered employment, is more prevalent in the HORECA sector compared with other sectors of the EU economy. A strong rationale therefore exists for targeting this sector. Here, recommendations for action by enforcement authorities and social partners are outlined.

Enforcement authorities

Resulting from the seminar and further desk-top research, the following conclusions are reached:

- ▶ **Workplace inspections** in the HORECA sector, especially cross-agency inspections, could become a strategic priority (akin to Croatia and Denmark) and their effectiveness improved by for example using data mining to more effectively identify risky HORECA enterprises.
- ▶ **Data mining** to identify risky HORECA businesses could be enhanced by identifying better 'red flags', such as those who have: higher than average expenses; higher ratios of credit card to cash payments compared with other similar businesses; lower than average wage levels, or a relatively low number of registered employees for their turnover. Dynamic benchmarking can then use a 'test, learn and adapt' approach to better identify the 'outliers'.
- ▶ This data mining can also be used to target **notification letters**, as exemplified by Estonia and Spain. One focus might be the full declaration of tips by HORECA workers.
- ▶ Introducing **registration** procedures is required, including a **written contract (before the first day of work)** akin to for example Austria, France, Hungary, Italy, Lithuania, but also the registration of service providers (e.g., accommodation providers) on digital platforms, akin to for example Greece.
- ▶ Introducing mandatory **certified cash registers** across the HORECA sector is a further deterrent initiative to improve detection of undeclared work, akin to for example Belgium, Slovenia and Sweden. Such certified cash registers could technically be linked with electronic working time registration systems allowing for more effective and targeted labour inspections.
- ▶ **Simplifying compliance** will make it easier for HORECA employers, the self-employed and workers, to operate on a declared basis. Simplifications could include:
 - ▷ simplifying regulations for smaller and seasonal jobs (exemplified by Bulgaria, Croatia and Hungary), and
 - ▷ introducing threshold amounts for workers to tax exempt own-account activities, which could be used to address private home restaurants, 'dark kitchens' and 'meal sharing' for instance and differentiate commercial and non-commercial providers.
- ▶ Enforcement authorities offering businesses and entities **access to their risk-assessment ratings** so as to encourage greater voluntary compliance (exemplified by Estonia).
- ▶ Offering participants in undeclared work in the HORECA sector the opportunity to **voluntarily disclose** previous non-compliance is a further way forward. These could for example target pop-up restaurants, dark kitchens, home restaurants, and/or the short-term holiday rental sphere.
- ▶ To encourage HORECA consumers to purchase on a declared basis, initiatives could include:



- ▷ **holiday vouchers** to promote the use of registered accommodation and reduce undeclared earnings in the accommodation sector;
- ▷ **encouraging HORECA consumers to ask for receipts**, such as
 - by making it a statutory responsibility for restaurant menus to include on the front page that it is compulsory for the restaurant to issue a receipt for the meal and if not produced, the purchaser has the right not to pay for the meal, and
 - introducing a national receipt lottery
- ▶ A **social labelling initiative** in the food and beverage servicing activities, akin to the ‘Just Tourism’ initiative in the hotel sector, could be introduced (akin to current food quality standards, such as Michelin stars, and the existent quality assurance initiatives on food hygiene standards) based on a similar ‘stars on their doors’ approach.
- ▶ Developing education and awareness raising materials to elicit behaviour change, and these need to be designed to overcome the neutralisation techniques (NTs) employers, workers and consumers use to rationalise their non-compliant behaviour.

Social partners

- ▶ Introducing **Workplace ID cards** in the HORECA sector, akin to the construction sector, to improve detection of undeclared work. These could also be introduced by enforcement authorities.
- ▶ Providing incentives for HORECA businesses to be compliant, exemplified by the Greek employer federation (ESEE) which provided **free marketing** in its ‘business walking routes’ pamphlets for consumers. Developing this as a smartphone app could be useful.
- ▶ To help consumers make appropriate choices, a certification of quality, namely **social labelling initiatives**, such as the **Just Tourism initiative** in the hotel sector, could be expanded to other countries. Such social labelling initiatives could also be extended to food and beverage servicing activities either by social partners, enforcement authorities or both working collaboratively.
- ▶ A supply chain due diligence initiative that social partners could implement is a **voluntary supply chain responsibility initiative**. This could be introduced as part of the corporate social responsibility (CSR) strategy of large hotel chains.
- ▶ **Education and awareness raising campaigns** in the HORECA sector could be developed which target employers, workers, and consumers in specific HORECA sub-sectors, exemplified by the educational campaign in Portugal to inform motorhome users of official motorhome sites. Advice and support schemes, such as the UNDOK, are also valuable support initiatives.



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