

European Platform tackling undeclared work

Thematic review workshop: Tackling under-declared employment through innovative approaches

Tallinn, Estonia (Hybrid), 26-27 October 2022

This Platform thematic review workshop explored diverse ways of tackling under-declared employment including through innovative approaches with a particular focus on the road transport sector. The hybrid workshop brought together 26 participants (16 attending physically and 10 remotely) from 20 countries, representing labour and social security inspectorates, various ministries, a statutory body, as well as a European level social partner. The event was also attended by representatives of the European Labour Authority (ELA), thematic experts and members of the Platform support team. Participants reflected on good practices, identified aspects that could be transferred to different settings and explored how the challenges involved could be overcome.

Introduction to the theme of the workshop

Representatives of ELA welcomed participants and noted that the aim of the thematic review workshop was to help improving the efficiency of national authorities to transform under-declared work into fully declared employment through the sharing of innovative practices among Member States.

The thematic expert from the Centre for the Study of Democracy (CSD) presented the main aspects of the discussion paper on the effectiveness of deterrence and preventative policy measures for tackling under-declared employment. He also highlighted the key questions for discussion, which included understanding what types of deterrent and preventative policy measures are used to tackle under-declared work and what challenges are faced in relation to the introduction of these policy measures.

Assessing the effectiveness of deterrence policy measures for tackling under-declared employment



Participants from the host country (Estonia), as well as three further participants presented examples of deterrent measures to tackle under-declared employment.

- ▶ **Estonia:** presented the way its authorities cooperate and share open-source data with each other to tackle under-declared work. They also presented their 'tax behaviour ratings' e-service which provides feedback to companies about their tax behaviour.
- ▶ **Lithuania:** presented how its State Labour Inspectorate uses data mining to identify risky companies where under-declared employment might be prevalent, and how high-risk companies are controlled.
- ▶ **Denmark:** presented a recent project of the Danish Tax Agency to develop innovative registration and risk scoring models to improve the quality of companies' basic registrations.

Assessing the effectiveness of deterrence policy measures for tackling under-declared employment – continued



- ▶ **Finland:** presented the Finnish Tax Administration's approach to tackling under-declared work by using a risk-based target selection. The aim is to ensure that both employers and employees are aware of their obligation to report income details.

Questions from participants sought clarification on the involvement of social partners into the process of detecting under-declared work. Estonian participants explained that social partners are consulted, and their input is considered. In Denmark, social partners are closely involved in the development of information and guidance initiatives.

During the related parallel working group discussions, participants were invited to share ideas and experiences about the effectiveness of deterrence measures to tackle under-declared work. The main points included:

- ▶ Effective policy approaches involved well-prepared, targeted on-site inspections; data mining; sophisticated risk assessment systems; joint inspections between various authorities; the exclusion of companies from public procurement procedures; and black lists.
- ▶ There is a need for increased sanctions and for better cross-border information sharing. It would also be important to better define what under-declared employment means, and to better inform workers about their rights in this regard.
- ▶ Challenges in introducing deterrence measures included the need for more human and financial resources and a need for political will; the difficulties imposed by privacy/GDPR regulations; the need to improve data mining through the better structuring of data with the help of data scientists; and the varying priorities of authorities.
- ▶ Suggestions included improving detection and risk assessment, including green-yellow-red ranking of businesses – 'green' meaning low risk, 'yellow' meaning medium risk, and 'red' meaning very high risk. Joint investigations and inspections should also be considered as well as tax audits. The importance of cultivating horizontal and vertical trust was highlighted as an important factor contributing to increasing tax morale.

Assessing the effectiveness of preventative policy measures for tackling under-declared employment



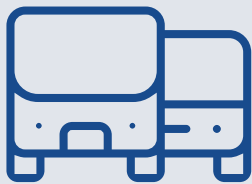
Participants from Estonia, as well as from two other Member States presented examples of preventative measures to tackle under-declared employment.

- ▶ **Estonia:** presented four successful media campaigns using different strategies illustrating how social services suffer as a result of non-payment of taxes. The results of these campaigns show an overall decrease in undeclared and under-declared work in Estonia.
- ▶ **Spain:** presented the way it is using notification letters for the detection of undeclared and under-declared work. This involves identifying companies that have a high risk of irregular employment, which is done through the analysis of data with the help of an anti-fraud tool, followed up with inspections. The campaigns carried out based on this practice have had a positive impact on reducing under-declared work in various labour sectors in Spain.
- ▶ **Greece:** also presented notification letters to tackle under-declared employment, including ‘gentle’ and ‘strong’ nudge letters, as well as announced inspection letters and unannounced inspections. Insight into the effectiveness of the different approaches of the project was provided, by using qualitative KPIs’ results.

During the related parallel working group discussions, participants were invited to share ideas and experiences about the effectiveness of preventative measures to tackle under-declared work. These included:

- ▶ Key preventative approaches include awareness-raising and counselling; educating consumers on using ‘white-listed’ companies; facilitating compliance; using social media, smartphone applications, targeted information campaigns and tax incentives; the licencing of companies; check-in at work; the provision of advice on consumer rights and duties; trainings within trade unions and for students; and consulting first in order to change the behaviour of controlling institutions from repressive to a supportive approach, as a way of understanding that punishment is not the goal.
- ▶ Challenges included modernising formal institutions, as well as the need to regularly repeat preventative measures, in order to ensure their efficiency. The cost-effectiveness of media campaigns can be difficult to evaluate, and it may be difficult to identify the correct target group. It was also noted that when the ‘nudging’ approach is used, it needs to be connected to inspections, the ‘nudging’ letters should be targeted, and repeated in modified ways. In addition, the need for dedicated units specialised in social media and technology management was stressed by many participants.

Tackling under-declared employment in the road transport sector



The thematic expert from FORBA – Working Life Research Centre, presented the main aspects of the discussion paper in relation to the road transport sector. Under-declared work in the road transport sector can manifest in several ways, such as through non-compliant registration; the under-declaring of working-hours; non-compliance with rest and working times; and long subcontracting chains.

Three participants presented examples of measures to tackle under-declared employment in the road transport sector.

- ▶ **Norway** presented the questionnaire used with foreign drivers at road-side inspections to prevent under-declared employment, aiming to tackle the language barrier that often occurs in such situations.
- ▶ **The Netherlands** presented its ‘parcel and couriers’ project, showcasing the special instruments used to tackle under-declared work in goods transport by light commercial vehicles.
- ▶ **Portugal** presented five tools used in the country for the detection of undeclared and under-declared work in the road transport sector, including the use of tachographs, transport guides, transport licences, questionnaires, and the social security database.

During the related parallel working group discussions, participants were invited to share ideas and experiences about the effectiveness of measures to tackle under-declared work in the road transport sector. Effective measures included:

- ▶ Joint inspections; sanctioning companies; the use of IT tools in inspections; a repository connecting open-source databases; coordinated campaigns; e-guides; tracking supply chains; using hand-held devices; warnings and targeted notification letters; and educational seminars.

ELA wrapped up the workshop by drawing attention to the key outcomes and reminding participants that the topic of road transport will be further explored at an upcoming Platform webinar.

Further information: The Thematic Review Workshop was an integral part of a larger mutual learning process among Platform members and observers and provided opportunities for exchange and collaboration. The information from the event will be fed into a Learning Resource Paper.