

Measuring the effectiveness of policy approaches and performance of enforcement authorities

Output paper from plenary thematic discussion

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1.0 Introduction

The thirteenth plenary meeting of the European Platform tackling undeclared work (henceforth “the Platform”) was held in Bratislava on 8-9 November 2022. This was the first fully on-site plenary meeting of the Platform since the outbreak of the COVID-19 pandemic. The first day of the meeting was focused on challenges related to the evaluation of policy measures tackling undeclared work and good practices in measuring the performance of enforcement authorities.

The survey on the progress of national authorities toward a holistic approach conducted in 2022 revealed that Member States have started implementing a wide range of policy initiatives for tackling undeclared work.¹ However, despite the widespread adoption of deterrence and preventative policy measures by enforcement authorities, there remains room for progress on measuring the effectiveness of these policy initiatives in their respective countries.

So far, the Platform has discussed this at its plenary meeting in March 2019 when four countries (Ireland, Latvia, Netherlands, and Spain) presented their different approaches toward Key Performance Indicators (KPIs). The presentations and discussion revealed the need for firstly, a rethinking of the strategic objectives and KPIs of enforcement authorities and secondly, the processes by which KPIs are set. It was concluded that further Platform activities were necessary to consider this topic. This thematic day was the response.

To discuss the issues and challenges related to the evaluation of policy initiatives and to share experiences in this respect, two sessions were dedicated to different aspects of the matter. In the morning session, field and laboratory experiments were presented to the Platform members, together with practical case studies. This was followed by two parallel workshops in which examples of policy assessments were discussed. Specifically, participants of Workshop 1 were informed about the French experience of combating the misuse of COVID-19 short-term employment schemes. This was followed by an update from Finland on the ongoing strategy and action plan for tackling the grey economy and economic crime. Workshop 2, meanwhile, started with an overview of the “Know your rights” campaign from Norway and the evaluation of ‘nudging’ strategies applied in Greece. Two additional parallel workshops provided further experiences from Ireland on strategic objectives and KPIs in relation to tackling undeclared work, from Spain on KPIs used to measure the performance of the Anti-Fraud Office (Workshop 3), and from Sweden on strategic objectives of tackling undeclared work (Workshop 4).

The rest of this output paper summarises the presentations and discussions from the thematic day.

2.0 Measuring the effectiveness of policy approaches and performance of enforcement authorities

In an ideal world, every policy initiative would be evaluated to see how effective it was in achieving the desired goals. This would in turn enable direct comparability, so that decisions can be taken on which policy initiative/s to adopt in any specific situation. However, the reality is that this is simply not a feasible nor viable option for most Member States.

¹ Williams, C.C. and Horodnic, I. (2022) [Progress of national authorities towards a holistic approach: study using a common assessment framework](#), European Platform tackling undeclared work.

To assess the current state of play, in 2021, DG EMPL commissioned a study into the effectiveness of policies to tackle undeclared work (VC/2021/0380). By providing a meta-evaluation of studies on the impact of different policy instruments on each type of undeclared work, the objective was to produce a consolidated evidence base. To inform Platform members about the progress in this respect, the meeting started with an overview of the preliminary results of the study.

2.1 The baseline situation

A representative of the **European Commission** (DG EMPL) presented the results of this study, highlighting the difficulties and the importance of research for the future strategic direction for tackling undeclared work. The study summarised key data on the nature and prevalence of undeclared work in the EU. Moreover, it showed that undeclared work is more often provided by younger workers (except for bogus self-employment) and in micro and small companies. There is also empirical evidence for undeclared work being more prevalent in construction and agriculture. Individuals struggling to make ends meet are found to be statistically more likely to engage in undeclared work. The study confirms the importance of the socio-psychological dimension such as the tax morale and trust in authorities. Another important conclusion of the study is that under-declared employment (rather than entirely undeclared work) has gradually become the most dominant form of non-compliance in the EU.

Nevertheless, several problems remain that hinder a comprehensive assessment of the phenomenon, both from a methodological and analytical perspective. Challenging methodological issues include difficulties to identify operational 'types of undeclared work'. Such types would allow to conduct an analysis at a 'meso' level. Without them the analysis tends to produce either too specific or, conversely, too generic, results, which makes it very difficult for a practitioner to learn in a systematic way from other experiences. Further research will be needed, in particular with the intention to strengthen the empirical basis (evaluations, studies, surveys, etc), ideally already comparative from the outset and linking interventions with outcomes.

2.2 Types of evaluation approaches

The lack of empirical analysis and studies was further emphasised by the expert from the Institute of Public Finance in Croatia, who gave an overview of the approaches and statistical methods for the evaluation of policy measures. Broadly speaking, there exist three evaluation strategies:

- ▶ Assess before implementation;
- ▶ Introduce the measure to a small sample from the target population (field experiment);
- ▶ Evaluate the implemented policy.

Even though theoretical studies are the most common form of pre-assessment, they do not always provide reliable results. Alternatives in this respect are meta-analyses and laboratory experiments. The term 'meta-analysis' denotes a secondary analysis of the results from studies that evaluated a particular measure. Although this method can provide rich information about the conditions under which the measure will or will not work, it is of limited use in this field due to the insufficient number of existing evaluation studies that could be used for the secondary analysis.

To evaluate an implemented policy measure and for the analyses to yield meaningful results, the following conditions must be met:

- ▶ The target population is known and relevant information about their behaviour can be gathered;
- ▶ Key indicator(s) can be adequately measured;

- ▶ There is either direct causality between the introduced measure and changes in agents' behaviour or all indirect effects can be efficiently modelled;
- ▶ A large amount of data can be collected.

Since many policy incentives do not satisfy one or more of these conditions, the findings of the accompanying evaluation studies should be treated with appropriate caution (which will depend on each evaluation's methodology on a case-by-case basis).

Traditional econometric methods use single 'point in time' (static) data to model the dynamic nature of undeclared work. This represents the main obstacle to the robust evaluation of the policy measures. Not only are new forms of undeclared work emerging constantly, but also there is an increasing reliance on non-standard employment (e.g., on-call work). This in turn undermines the credibility of statistics collected via standard data-collection procedures (e.g., surveys). There is, therefore, a need to enhance collection and sharing of 'live' data between relevant authorities. This would enable the application of machine learning methods, which are far more powerful when it comes to monitoring and controlling dynamic phenomena.

2.3 Developing KPIs

An independent expert presented the results of the study on developing methodology and KPIs measuring the performance of labour inspectorates. To facilitate introducing KPIs, the authors of the study suggested using the Balanced Scorecard (BSC) methodology². This assumes the following steps, which cover all the phases of the process: 1) define strategic goals and objectives; 2) define KPIs for each strategic objective; 3) set targets for each KPI; 4) define accountable business units; 5) define initiatives for improvement; 6) implement the performance measurement framework at local/regional and individual level.

Example: evaluating the effects of a complaint-reporting hotline on inspection planning

Using the BSC method, these steps might include:

- ▶ Strategic objective: improve the success rate of inspections based on complaints from the hotline
- ▶ KPIs: 1) increase in the number of registered workers in the inspected businesses
 - 2) increase in the total number of registered working hours/days in the inspected businesses
- ▶ Targets: 10 percentage point increase compared to the previous year
- ▶ Accountable business units: regional/local inspectorates or teams
- ▶ Initiatives for improvement: a) define criteria to filter complaints; b) evaluate and revise these criteria to reach a higher strike rate; c) compare the success rate of inspections based on complaints with the success rate of inspections based on other sources of information; d) make the decision about reallocation of resources (e.g., to the most successful type of inspections)

There are, however, several caveats that ought to be taken into consideration. First, the implementation of the BSC methodology must be tailored to national situations and circumstances. Second, the application of the methodology requires a register of employment relations. Finally, setting KPIs can have distortionary effects and

² While the Balanced Scorecard (BSC) methodology is well known, alternative approaches/methods can also be used to establish goals (strategic objectives) and KPIs. Monitoring trends to understanding and improve performance can also take place in the absence of specific targets.

may influence the selection of businesses in unexpected ways. For example larger businesses in a sector more prone to undeclared work (such as construction) may be targeted where the probability is higher of reaching a KPI such as ‘the proportion of inspections detecting undeclared work’, even if undeclared work is commonplace in smaller businesses.

Two practical examples of using KPIs in enforcement authorities were presented. The first was by the participant from Latvia on the experience of the Latvian State Labour Inspectorate with KPIs. The driver behind implementing KPIs came from a strategic change in 2017. The previous approach focused on the eradication of undeclared work and was evaluated using a range of quantitative and qualitative indicators. Typical examples of KPIs used beforehand included the total number of inspections, the number of inspections strictly focused on undeclared work, the number of repeated inspections in units where undeclared work was detected, and the effectiveness of inspections (i.e., hit rate). Since 2017, the emphasis has been less on the eradication of undeclared work and more on the *legitimisation* of labour relations. To evaluate this strategic change, a key performance indicator (KPI) was introduced as a pilot, “number of legitimised labour relations”. According to this indicator, the State Inspectorate increased the legitimisation rate by 10% in just one year (2019 compared with 2018). Another, closely related pilot key performance indicator was “number of instances of advice/support provided”. Even though these new compliance-based KPIs represent a step forward, they are harder to measure and are also further beyond enforcement authorities’ control than the previous indicators.

In the upcoming period, the idea is to explore the possibility for the introduction of new KPIs on top of the existing ones. Due attention will also be given to support for new enterprises (e.g., new forms of consultations), as well as to the increase in the number of earmarked risk-based inspections. The broader goal of the State Labour Inspectorate is to ensure that a share of inspections is conducted jointly with other relevant institutions.

The second example was presented by the representative of the Social Information and Investigation Service (Belgium), who introduced the challenges in developing KPIs to assess initiatives tackling social fraud in Belgium. The focus was on the period from 2018 onwards – characterised by the substantial modifications of the performance evaluation scheme. Starting with 21 in 2018, the number of KPIs increased to 33 by the end of 2021. However, this new system brought many unexpected issues at the operational level, therefore the decision was taken to simplify it considerably and reduce the KPIs in the current system to 20. The intention is also to put more emphasis on qualitative (descriptive) KPIs.

The goal of the Action Plan 2022 is to map the existing KPIs from the 2022 action plan against the holistic approach framework. Further focus is on greater collaboration between government agencies in their efforts to tackle undeclared work. Other important aims include increasing the capacities and capabilities of inspection services, simplifying administrative procedures (digitalisation), and increasing the detection risk. To achieve these aims, a total of 76 different actions are planned for the upcoming period.

Although Belgium has made good progress in developing KPIs to measure the fight against social fraud, several challenges exist in practice. The most prominent ones include managing KPIs (it is not always easy to quantify them; also, this is a time-consuming process), incompatibility of data gathered from various entities, the issue of different operational definitions, and difficulties in obtaining political support.

3.0 Field and laboratory experiments

Laboratory and field experiments have been widely used in psychology and behavioural economics and by tax authorities to assess determinants of tax non-compliance and to test policy initiatives. For example, experiments have been conducted to understand how people react to different types and intensity of penalties, whether their views on the likelihood of detection influence their behaviour, and how their perception of others’ level of

compliance, trust in government, or public shaming influence decisions in this respect. However, these scientific methods have been rarely used by labour authorities when studying labour law non-compliance. The aim of this session was to introduce Platform members and observers to field and laboratory experiments and explain how labour authorities could make greater use of these two types of experiments to evaluate different policy interventions.

The expert from the University of Vienna explained how an experiment as a research method is designed. The investigator manipulates one or more independent variables to determine the effect(s) on some behaviour or behaviour intentions, while controlling for other relevant factors. In so-called true experiments, the investigator randomly assigns participants to a control and an experimental group. When this is not possible, then a quasi-experimental (i.e., non-random assignment of participants to treatments) setup is needed. The third group is field experiments, in which a measure is introduced to a subset of the population of interest. Besides analysing the difference in behaviour before and after they faced the measure, the targeted individuals are compared with a random sample of unaffected individuals.

The typical laboratory experiment usually involves a group of individuals faced with a decision on whether to comply or not when confronted by different conditions. Specifically, the artificial laboratory setting allows the introduction of controlled changes (e.g., increasing the probability of inspection) to observe how the participants' choice on whether to comply or not change and whether theoretical assumptions are confirmed. This provides policymakers with an indication of what is likely to happen if these policies were actually introduced. The advantage of laboratory experiments is the possibility to control treatment variables and possible intervening factors; however, laboratory experiments lack ecological validity. In field experiments, on the other hand, the real agents (i.e., employers and/or workers) are observed in order to see how their behaviour changes upon receiving certain information. The advantage of field experiments is high validity, but possibilities to control intervening factors are limited. For instance, field experiments can be done by sending risky businesses friendly/threatening notification letters, or by providing them with information on the benefits of compliance.

To prepare Platform members for this session, they participated in a basic experiment testing the 'fungibility of money' hypothesis. Everyone was assigned to one of three treatments groups, which determined the structure of their (hypothetical) financial wealth and investment opportunities. The results of the experiment showed that humans do not perceive money as fully fungible. Instead, the subjective value depends on the source of money and earning effort. Specifically, hard-earned money has a higher value than easily-earned money.

4.0 Workshops 1 and 2: assessing the effectiveness of different policy measures for tackling undeclared work: challenges and ways forward

There are many challenges when it comes to measuring the effectiveness of policies to tackle undeclared work. The most important obstacles in this respect are the lack of resources, a failure to include at the design stage a decision and strategy to evaluate a policy instrument, and an unclear idea about how the effectiveness of a policy intervention can be measured. The Platform has started to share learning about policy interventions, both at events and in the virtual library³ (e.g., the good practice fiches). This enables enforcement authorities to better understand

³ Available at <https://www.ela.europa.eu/en/undeclared-work/virtual-library>.

what is available and what might be transferable to their context. However, what becomes quickly apparent is that there are relatively few detailed evaluations of policy interventions. Why this might be the case and what can be done about it was the subject of these parallel workshops.

4.1 Workshop 1

To prepare participants for the discussion, the workshop opened with two presentations. In the first one, the participant from France discussed the experience of the authorities with tackling undeclared work and employer fraud related to the COVID-19 short-term employment scheme. To control the allocation of resources, an action plan grounded on cooperation and data sharing between several institutions was introduced. There were two central aims of this action plan: 1) to detect and prosecute fraudsters, and 2) to preserve public money. The operational strategy was only loosely defined at the central government level, to leave enough freedom to local surveillance bodies to adjust individual actions to their own needs and experience. Although the initiative covered the whole economy, most attention was given to activities in tourism, construction, finance, and manufacturing.

The execution consisted of two different stages: 1) initial screening; 2) inspections. Screening assumed the control of submitted documents to determine possible inconsistencies. At this point, employers were allowed to amend their submissions if any issues were detected. Workplace inspections, which came at a later phase, were mostly launched either upon the request of the General Delegation for Employment and Vocational Training (DGEFP) or after notifications by other government bodies (e.g., social security funds and police) and citizens.

The endeavours to detect and penalise violators resulted in a number of cases sent to court and large amounts of money returned to the public budget. The most common violations include identity theft and the declaration of fictional workers. In addition to the series of challenges that such actions normally face, the implementation of this particular measure was made even more difficult by the practice of ‘working from home’, which exploded during the pandemic.

In the second presentation, the participant from Finland informed about the progress of the Strategy and action plan for tackling the grey economy and economic crime. This comprehensive approach towards tackling illegal economic activities is led by the Ministry of Economic Affairs and Employment, while the Ministry of Finance, the Ministry of the Interior, and the Ministry of Justice provide support in actions under their jurisdictions. The objectives of the strategy, which came into force in 2020 are to: 1) promote healthy competition between companies and a fair labour market; 2) prevent the grey economy and economic crime; 3) ensure the ability of authorities to combat the grey economy and economic crime; 4) develop measures to combat the grey economy and economic crime and improve cooperation between authorities.

The action plan Embraces over 50 measures focused on prevention, data sharing, and cooperation between government bodies. Some of the most prominent measures are the information campaign for migrants and new entrants to the labour market and the introduction of the tax number system in activities related to shipbuilding. The possibility to introduce the latter for other high-risk sectors (e.g., tourism), will also be assessed. Another important goal of the strategy is to remove obstacles to sharing information about money laundering and terrorist financing between responsible government units. There is also a specialised website⁴ providing relevant and up-to-date information related to undeclared work and related activities, as well as on the efforts to combat them. After the expiration of the programme (end of 2023), an evaluation of its effectiveness is planned. There is also a plan to conduct the mid-term assessment, but concrete steps in this respect have not yet been taken.

⁴ www.grey-economy-crime.fi

Just like in the French case, this presentation showcased some good examples of cooperation and coordination between different enforcement authorities in the efforts to tackle undeclared work. In the discussion that followed, lack of coordination was identified as one of the key obstacles to tackling undeclared work across the EU.

4.2 Workshop 2

Before deliberating on the challenges in assessing policy measures and tips for overcoming them, two specific cases were presented on. The first intervention by a Norwegian representative was about the “Know Your Rights” campaign. The campaign was focused on foreign workers, who not only represent a substantial portion of the country’s workforce but are also highly vulnerable to exploitation. The measure was implemented in three stages: 1) planning; 2) creation and publishing of material; 3) evaluation. Among others, the planning phase included an in-depth analysis of the socio-demographic characteristics of foreign workers (age, gender, country of origin, etc.), their motivations, relevant regulations in the home country, sources of information available to them, challenges faced, and needs after arriving in Norway. The campaign was focused on remuneration (underpayment) as foreign workers were found to be predominantly interested in the due level of wages. Nevertheless, by attracting workers’ attention, the campaign also provided important information on the legality of employment and other contractual aspects, beyond the pay rates.

The campaign took advantage of social media to ensure the largest possible hit rate. In addition, information cards were sent to all refugee arrival centres, service centres for foreign workers, municipal centres, and inspection services. The material was published in multiple languages, reflecting the knowledge about the most frequent countries of origin. After the outbreak of the war, physical seminars for Ukrainian refugees were also introduced as part of this initiative.

The campaign received several awards, which confirms its success. It was thoroughly assessed both quantitatively (surveys + analysis of website statistics) and qualitatively (interviews). Starting with online activities, there were a total of 16,000 clicks on Facebook and 41,500 visitors to the website of the campaign. When it comes to the survey results, one-third of the participants stated they wanted to change their employment contract after seeing the campaign. More importantly, 30% of them discovered a violation of their rights thanks to the campaign. The campaign managed to reach 86% of the target group.

There were, however, some challenges worth mentioning. For instance, although the core information was translated into multiple languages, provided links were typically only in Norwegian. What is more, some of the linked pages were administered by other authorities. An additional problem was the absence of an interactive form through which foreign workers would easily report violations.

In the second presentation, representatives of the Hellenic Labour Inspectorate discussed the challenges with the evaluation of nudging strategies in Greece. The focus here was on the pilot experiment in which a group of employers was sent notification letters with various messages (including announcing an inspection). Among others, the project aimed to increase voluntary compliance rates, promote transformation of part-time contracts into full-time, improve the targeting of inspections and encourage labour inspectors to use the inspection preparation tool. Both qualitative and quantitative data were collected during the process. Quantitative information was used to perform a cost-effectiveness analysis and to help set new KPIs when reimplementing the measure. The qualitative part of the analysis, on the other hand, served to understand possible changes in the employers’ attitudes and behaviour, as well as to appraise the acceptance of the policy initiative (internally by labour inspectors and externally by employers).

Quantitative data gathered during the process includes employment figures (e.g., full-time contracts, part-time contracts, changes in working hours, and overtime hours) and inspection data (number of inspections, undeclared workers detected, and fines imposed). Qualitative insight was obtained both directly and indirectly from employers

and inspectors. For instance, audited employers were interviewed during onsite inspections on the effect of the received letter. Indirect information, on the other hand, was compiled from phone calls, e-mails, and from discussions during visits by company representatives to the involved local inspection offices following receipt of the letter. When it comes to inspectors, the idea was to understand the challenges they faced while implementing the measure, as well as the changes in their approach resulting from it.

In terms of challenges to implementation and follow-up, the most important were the lack of advanced tools to collect and analyse the data and the lack of experts dedicated to the statistical analysis required for robust evaluation.

In each of the two workshops, the presentations were followed by a discussion on the following questions:

- What are the major challenges faced in measuring the effectiveness of policies to tackle undeclared work?
- What tips or good practices do you have for overcoming these challenges?

The lessons learned from the presentations and the resultant discussion are as follows.

Challenges faced with respect to the evaluation of policy measures:

- There is scarce evidence available on the effectiveness of measures tackling undeclared work
- The lack of data undermines attempts to evaluate measures
- Comparability of figures across different entities remains an issue
- Robust evaluation requires knowledge of non-trivial statistics
- Financial resources for the evaluation are rarely planned when introducing a measure
- Preventative measures are hard to evaluate
- Wide societal acceptance of undeclared work in some countries undermines efforts to transform it into declared work
- The situation is dynamic and policy measures may trigger a response from individuals to evade the system in different ways
- Often it is difficult to draw a clear line between an intervention and its effects
- Interpretation of the results: what does it mean if undeclared work is not found – that a method did not work or that policy approaches are effective?
- Political will plays an important role when it comes to policy evaluation
- Politicians need results as fast as possible
- Often there is a lot of pressure on inspectors to deliver results
- Audit rates are quite low for some sectors
- It is not clear for all what 'holistic approach' really means

Tips for overcoming the challenges:

- Each policy intervention needs clear goals and should have defined accompanying performance indicators that can be easily quantified

- External experts can help in policy evaluation
- As regards policy measures, it is important to establish a baseline and then measure progress, keeping in mind the rationale of the policy measure. It may be easier to show regional and local effects, if not the societal impact
- Holistic approaches yield better results than individual attempts to tackle undeclared work
- Changing the behaviour of businesses, employers, workers and citizens should not be the only goal; enforcement authorities should also change/modernise
- There is a need to shift from prevention and control to a more supportive approach in interaction with businesses, employers, workers and citizens
- Group visits should be preferred during inspections so as to promote a team approach and remove pressure from individual inspectors with respect to achieving KPIs
- Improving targeting strategies should be high on the agenda
- Perceived audit probability is a key driver in taxpaying behaviour
- Social media can boost the reach of information campaigns while awareness-raising campaigns should be clearly targeted at the desired audience
- Make sure notification letters sent reach the final destination (i.e., employer)

5.0 Workshops 3 and 4: measuring the performance of enforcement authorities

The 2022 survey of Platform members⁵ reveals that 96% of all responding authorities have made some progress in adopting KPIs related to transforming undeclared work into declared work, with discussion taking place in 38%, a decision taken to implement in 8%, and 17% pursuing a pilot initiative to implement them. In addition, 33% had fully adopted these targets/KPIs. Examining the differences between regions, 60% of all authorities responding in Southern Europe had fully adopted targets/KPIs related to transforming undeclared work into declared work, but just 22% in East-Central Europe. Progress towards this goal is being made across all authorities, except in East-Central Europe where 11% of the authorities responding reported no progress in implementing such targets/KPIs.

Given these differences in progress on adopting the objective of transforming undeclared work into declared work and developing KPIs/targets associated with this objective, the main goal of parallel Workshops 3 and 4 was to discuss the major challenges in doing so and to share tips and good practices.

5.1 Workshop 3

As an introduction to the topic, the participant from Ireland provided an overview of strategic objectives and KPIs for tackling undeclared work in Ireland. Although deterrence still dominates, a range of preventative and other

⁵ Williams, C.C. and Horodnic, I. (2022) [*Progress of national authorities towards a holistic approach: study using a common assessment framework*](#), European Platform tackling undeclared work.

‘softer’ measures (e.g., information campaigns) are also used to transform undeclared work into declared work. The strategic approach in the sphere of control is grounded in joint actions and information sharing between different government bodies. To monitor performance, a number of KPIs have been introduced. KPIs related to undeclared work include the number of undeclared wages detected, the number of employees impacted, additional yields (i.e., taxes and social security contributions), the number of administrative fines imposed, and prosecutions, convictions, and court fines imposed.

While undeclared work in Ireland is found across all sectors, the most problematic are those where manual labour is a big constituent (i.e., agriculture, construction, domestic/care work). Even though the employment rights inspections conducted during 2021 were heavily focused on food service activities, hairdressers, and beauty salons, the highest detection rates were recorded in agriculture (54%), fishing (61%), construction (41%), and contract cleaning (41%). The enforcement authorities, nevertheless, face numerous challenges in tackling undeclared work. The most prominent ones are the mistrust in state institutions by taxpayers (especially migrants), silo mentality, and outdated policies.

In the second presentation, the participants from Spain gave an exhaustive outline of KPIs used to measure the performance of the Labour and social security Inspectorate. The Inspectorate has a broad scope of responsibilities, ranging from the control of labour relations and compliance with social security legislation to surveillance of occupation safety and activities of third-country nationals. Undeclared and under-declared work hence fall within the jurisdiction of the Office, which operates as a specialised body within the Labour Inspectorate.

Although the strategic approach towards tackling undeclared work is determined at the national level, the execution nuances are left to the local level. Specifically, inspectors can define new programmes and/or adjust the existing ones in line with irregularities identified in the field. Besides internal goals and strategies followed, the planning at the national level also considers external requests and suggestions. This is ensured through cooperation with other government entities. Finally, although the focus is on risky sectors, such as construction and agriculture, all parts of the economy are well-covered. In fact, a lot of inspections are conducted as part of the cross-sectoral programme, which again assumes cooperation between different institutions.

To monitor the performance with the respect to the targets, the Office introduced a number of KPIs. To simplify things, the indicators are grouped according to key performance criteria (e.g., files completed, investigation resources, and infringements), and further broken down into sub-indicators. There is also specialised software for an interactive analysis of results, which makes it possible to get insight into the performance of inspections broken down by regional and local units.

5.2 Workshop 4

In this workshop, the introductory presentation was given by the Swedish representative, who discussed challenges in measuring the impact of activities by enforcement authorities. Since 2018 there has been a growing focus on collaboration between various bodies responsible for tackling undeclared work in Sweden. The Swedish Work Environment Authority (SWEA) coordinates the collaboration with eight other bodies. In addition, a national cross-agency analytic work group prepares an annual status report and develops joint indicators regarding effects. For this purpose, strategic information is shared between the group members. However, sharing and combining registries and other data from different agencies at a larger scale is not allowed under the current rules and regulations, which represents a serious obstacle in tackling undeclared activities. To address this issue, it has been proposed that a new secrecy-breaking rule should be imposed so that authorities can share essential information during their investigations.

At the regional level, cross-agency inspection teams do exchange knowledge and intelligence. However, currently there are no IT-systems that would support information sharing. Also, no joint indicators measuring the efficiency

of the cross-agency inspections have been developed so far. The aforementioned annual status report is the only place where information about these activities is systematically presented.

The authorities have been intensively working to establish regional centres dedicated to tackling undeclared work. The plan is to open a total of seven such centres; two are already in place. The most important goals of this incentive are to: 1) ease access to information for the stakeholders; 2) speed up the communication with interested parties; 3) enhance cooperation between government institutions and enable assessments of joint actions.

Since the enforcement bodies are still heavily focused on deterrence, there is a need to shift towards a 'softer' approach. Even though enhanced collaboration remains a priority, it is also vital to move on the policy side. Education campaigns and various forms of nudging are the areas that are worth considering in this respect.

To guide the discussion, the following questions were posed to each group after introductory presentations:

- ▶ What major challenges do you face in rethinking your strategic objectives and KPIs to transform undeclared work into declared work?
- ▶ What tips or good practices can those who have more experience in setting up such strategic objectives and KPIs offer to others who have less experience in doing so?

The lessons learned from the presentations and the resultant discussion are as follows:

Challenges when rethinking strategic objectives and KPIs to transform undeclared work into declared work:

- ▶ Labour authorities need to adopt strategic objectives and KPIs on building trust in enforcement authorities
- ▶ Outdated policies have an adverse effect on the process of rethinking strategic objectives
- ▶ There are many variables that can affect a KPI and its trend, with different sectors evolving in different ways.
- ▶ Labour authorities need to adopt strategic objectives and KPIs on tackling undeclared work by third-country nationals, but this is especially hard to control and target setting needs to be realistic
- ▶ Misunderstanding and misuse of GDPR often prevent data-sharing which can hinder transforming undeclared work to declared work
- ▶ Misalignment of strategic priorities undermines cross-agency collaboration
- ▶ Inadequate IT infrastructure slows down data sharing
- ▶ Having too many KPIs can cause problems (lack of focus, resource diversion, etc)
- ▶ Collection of data for KPIs is a time-consuming process
- ▶ Differences in terminology and methodology complicates the comparison of KPIs
- ▶ Compliance-based indicators are not easily quantifiable
- ▶ Awareness raising through campaigns and preventative approaches appear to be more difficult to establish strong KPIs and measurement approaches, as they may focus on changes in behaviour

Tips for establishing strategic objectives and KPIs:

- Start slow and with the quantitative elements, building on good practices. Integrate qualitative indicators showing effects where possible
- Be open to adapting the KPI framework over time
- KPIs are a good communication tool, as they provide concise information about the work of the inspectors to the public and policymakers
- Secure political support for the development of KPIs as of the start of the project
- Secure common definitions for recurring concepts to enhance the comparability of data and the relevance of the KPIs
- Publishing results can help raise awareness of achievements and effects, thus supporting further resources.
- Do not become a slave of KPIs
- The autonomy of all institutions included in the enforcement process should be respected

6.0 Key learning outcomes

This concluding section provides key learning outcomes arising from the thematic discussions on policy evaluations and measurement of KPIs.

6.1 Assessing the effectiveness of different policy measures for tackling undeclared work

- Political support is important for having an evidence-based approach, agreeing to or allocating funding and engaging in following up potential effects.
- The scarcity of data represents by far the most important impediment to the evaluation of policy initiatives. More could be done in this respect by strengthening cooperation and exchange of information between different government bodies. In addition, machine learning / artificial intelligence methods could be worth exploring in further detail.
- Evaluations can take place at different levels (macro, organisational, intervention). Not all policy measures can be easily evaluated. It may be difficult to distinguish the effect of an intervention on the behaviour of economic agents from other factors (e.g., changes in the economic outlook and unforeseen changes in the labour market).
- To be able to evaluate existing policy measures, it must be clear what their goals are, and which indicators can best evaluate their effect. These vital aspects of policy evaluation should be clarified in the initial stage of planning the measure.

6.2 Measuring the performance of enforcement authorities

- Although positive trends are noticeable, deterrence is still the dominant strategy for tackling undeclared work across the EU. More efforts thus could be invested to shift from the 'eradication approach' to the 'transformation approach'. The setting of strategic objectives and KPIs in this regard is one way of achieving this since authorities will then have to take actions.

- ▶ Persistent changes in the labour market require fast-changing policy responses. It is hence important to remain open for adjustments to the existing KPI schemes.
- ▶ Some Platform Members called for a continued focus on KPIs and data in the next years. Individual authorities could request tailored support in developing tailored strategic objectives and KPIs relevant to their individual context from experts and Platform members with more experience in this area via a Mutual Assistance Project (MAP).
- ▶ At the moment, relatively few enforcement authorities have adopted KPIs or targets in relation to moving businesses and jobs into the declared economy. Accordingly, it could be worth exploring how guidance or lessons on KPIs could be shared across the Platform.
- ▶ Misalignment of priorities makes it difficult to harmonise KPIs across different government bodies. Increased cooperation and greater reliance on joint actions could help in overcoming this issue.
- ▶ Political support for the development of KPIs is important.
- ▶ Although KPIs are an excellent monitoring and communication tool, they should be used rationally. Since adding new KPIs commonly requires additional resources, more is not always better in this case.

7.0 References

Williams, C.C. and Horodnic, I. (2022) [*Progress of national authorities towards a holistic approach: study using a common assessment framework*](#), European Platform tackling undeclared work.