

Developing methodology and Key Performance Indicators (KPIs) measuring the effectiveness of labour inspectorates

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Abbreviations

AIC - district inspection cells (*arrondissementele inspectiecellen*)

BEX - bilateral exchanges

BSC - Balanced Scorecard

CJEU - Courte of Justice

DAG - Department of Administrative Fines

ELA - European Labour Authority

EMPACT - European Multidisciplinary Platform Against Criminal Threats

e-PVs - electronic (*procès-verbal*) fine or record/minutes

ESF - European Social Fund

EU - European Union

FAQs - frequently asked questions

FOD Financiën - Federal Public Service of Finance

FOD SZ - Federal Public Service of Social Security

FOD WASO TSW - Federal Public Service of Employment, Labour and Social Dialogue, Department Supervision of Social Laws

FOD WASO TWW - Federal Public Service of Employment, Labour and Social Dialogue, Department of Supervision for Well-being at Work

FOD WASO - Federal Public Service of Employment, Labour and Social Dialogue

FPD - Federal Pensions Service

HR - Human Resources

HRM - Human Resources Management

ILO - International Labour Organization

IT - Information technology

KPI - Key Performance Indicator

MANCP - Multi-annual control plan

MAP - Mutual Assistance Project

MOU - Memoranda of Understanding

MoW - Ministry of Welfare

OSH - Occupational Safety and Health



PrOFS - Prevention of Fraud in Sports

RIZIV DAC - National Institute for Sickness & Disability Insurance, Department of Administrative Controls

RIZIV DGEC - National Institute for Sickness & Disability Insurance, Department of Medical Evaluation and Monitoring Service

RSVZ - Social Security Self-employed Entrepreneurs

RSZ - National Office of Social Security

RVA - National Office of Employment

SBG - State Boarder Guard

SECB - Shadow Economy Combating Board

SIIS - Social Information and Investigation Service

SLI - State Labour Inspectorate (Latvia)

SMART - Specific, Measurable, Attainable, Relevant, and Time-Bound

SO - Strategic objective

SPOC - single point of contact

SRS - State Revenue Service

UDW - undeclared work

SIOD - Social Information and Investigation Service

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Executive summary

Key Performance Indicators (KPIs) are a means or an instrument of target setting which evaluate the success of an organisation in achieving its strategic objectives. They are a measure of performance over time for a specific objective.

The aim of this study has been to provide learning on how KPIs can be developed measuring the effectiveness of labour inspectorates in transforming undeclared work into declared work. To do so, this study has:

1. Outlined a common assessment framework based on a holistic approach for developing labour inspectorates' strategic goals, objectives and KPIs.
2. Developed a method that labour inspectorates can employ to develop their strategic objectives and performance indicators, tailored to their context, measuring their effectiveness on each component of the holistic approach.
3. Co-produced with two labour inspectorates a set of strategic objectives and KPIs tailored to their context assessing their effectiveness on each component of the holistic approach.

KPIs for measuring the effectiveness of labour inspectorates

In the context of the European Platform tackling undeclared work (henceforth 'the Platform'), since 2021 constituting a working group at the European Labour Authority (ELA), measuring the effectiveness of labour inspectorates relates to their effectiveness in tackling undeclared work (see Appendix 1 for the definitions of the concept). The overarching strategic goal in this regard is to transform undeclared work into declared work using a holistic approach.

Therefore, performance indicators need to measure the effectiveness of labour inspectorates in transforming undeclared work into declared work through improving (i) coordination of strategy, operations, data collection, sharing and analysis, and social partner involvement, and (ii) the range and effectiveness of the tools used to transform undeclared work into declared work.

To measure performance on a coordinated approach, KPIs are required on the following strategic objectives (SO):

- ▶ Implementing or improving cooperation on strategy with other bodies (SO1).
- ▶ Implementing or improving cross-government and cross-border joint and concerted operations (SO2).
- ▶ Implementing or improving cross-government cooperation on data collection, exchange, and analysis (SO3).
- ▶ Implementing or improving cooperation with social partners (SO4).

To measure performance on the policy tools used, KPIs are required on the following strategic objectives (SO):

- ▶ Implementing or improving the effectiveness of sanction tools in transforming undeclared work into declared work (SO5).
- ▶ Implementing or improving the effectiveness of tools to improve the risk of detection (SO6).
- ▶ Implementing or improving the effectiveness of tools that make declared work easier and more beneficial (SO7).



- ▶ Implementing or improving the effectiveness of tools to educate and raise awareness about the benefits of declared work and the importance of labour law compliance (SO8).
- ▶ Implementing or improving the effectiveness of tools that modernise the labour inspectorate (SO9).

For each of these nine strategic objectives (SOs), the standard steps in the Balanced Scorecard (BSC) method used to develop KPIs to implement them are:

- ▶ Define performance measures linked to each strategic objective.
- ▶ Set the targets for each performance measure.
- ▶ Define accountable business units.
- ▶ Define initiatives needed to improve performance and achieve the targets; and
- ▶ After defining the performance measurement framework at the organisational level, prepare it at the business unit level and the individual level.

For each of the nine strategic objectives, **hypothetical examples** of the type of KPIs that can be used are provided. They provide **inspiration and clues** on how authorities might formulate KPIs on each of these nine strategic objectives.

To display how this can be applied in practice, case studies have been conducted with two labour authorities, namely the Latvian State Labour Inspectorate and the Social Information and Investigation Service (SIOD) in Belgium.

Case study: State Labour Inspectorate, Latvia

The Latvian State Labour Inspectorate (SLI) has in recent years rethought many of its objectives and KPIs to shift away from deterring undeclared work and towards achieving the strategic goal of transforming undeclared work into declared work.

It has developed KPIs to achieve this strategic goal in relation to improving the risk of detection, including developing data mining, matching and sharing (SO6), education and awareness raising (SO8) and modernising the labour inspectorate by improving human resource capacities, customer service and public relations (SO9).

Analysing the current strategy and KPIs of the SLI against the holistic approach framework, the gap analysis revealed KPIs could be now similarly added in relation to: developing cross-government joined-up strategy (SO1); joining-up operations cross-government (SO2); improving cross-government data collection, sharing and analysis (SO3); improving social partner involvement (SO4); implementing more effective sanctions (SO5), and improving the ease and benefits of engaging in declared work (SO7).

For the SLI, reviewing its objectives and KPIs against this common assessment framework has enabled the identification of these gaps where KPIs are currently missing.

To discuss challenges, the issues faced by the Latvian SLI in implementing the new performance indicators developed in 2017 following the Mutual Assistance Project (MAP) are discussed. How these challenges were overcome are highlighted. This provides tips that might be more widely relevant to labour inspectorates in other countries.

To highlight these challenges and how they have been overcome in the Latvian SLI, the challenges and solutions are divided according to whether they are cross-government, internal to the SLI or related to the involvement of social partners.



Case Study: Social Information and Investigation Service (SIOD), Belgium

The Social Information and Inspection Service (SIOD) in Belgium has in recent years made significant improvements in terms of KPIs and monitoring. The organisation has rethought many of its objectives and KPIs to shift away from deterring undeclared work and towards achieving the strategic goal of transforming undeclared work into declared work with the whole social inspection ecosystem in Belgium.

To tackle undeclared work, which in Belgium is seen as part of the fight against illegal work and social fraud, meaning “all work done in contravention to social legislation under the competence of federal authorities”, SIOD has introduced a programmatic approach, which is also incorporated in the strategic plan. The programmatic approach means that the actions (and related KPIs) are interlinked and connected with each other. This is facilitated by the program leader, SIOD, who - thanks to its coordinating role - has an umbrella view on the implementation of the actions and KPIs. This programmatic approach not only enhances the holistic approach, but also enables cross-fertilisation between the inspectorate services.

The SIOD Action Plan for the fight against social fraud 2022 contains 100 KPIs. For 98 of these 100 KPIs, it was possible to map them in the framework of the holistic approach. Of the 98 KPIs that were mapped to the framework of the holistic model, most (29 in total) were mapped to Strategic Objective 6, “Improve the risk of detection, including developing data mining, matching and sharing”. The least amount of KPIs (2 in total) was allocated to Strategic Objective 9, “Modernise the labour inspectorate by improving human resource capacities, customer service and public relations”.

To a large extent, the KPIs taken up in the SIOD Action Plan 2022 focus on collaboration between different government agencies. This is no surprise given that SIOD operates as an ‘umbrella’ strategic body. The strategic framework that encompasses these KPIs is drafted separately, by the Government but prepared by SIOD, for a time span of 4 years. This constellation however also entails that certain aspects that could be relevant in the context of the framework of the holistic approach are not within the mandate of SIOD.

The findings are reported for SIOD on the challenges faced in implementing KPIs (e.g., formulation of KPIs that are sufficiently SMART) along with tips that might be useful for other labour authorities struggling with the same challenges.

Suggestions for further action

This common assessment framework could be used by labour inspectorates and other enforcement authorities to:

- ▶ Analyse their current strategic objectives and KPIs against the holistic approach framework.
- ▶ Conduct a gap analysis of missing strategic objectives and KPIs.
- ▶ Develop and add these to their future strategy **in an incremental manner**.

For external support from other Platform members in doing this, a Mutual Assistance Project (MAP) could be requested for 2023 or 2024 to help develop these strategic objectives and performance indicators.



1.0 Introduction

Key Performance Indicators (KPIs) are a means or an instrument of target setting which evaluate the success of an organisation in achieving its strategic objectives. They are a quantifiable measure of performance over time for a specific objective. KPIs need to be SMART, namely “Specific, Measurable, Attainable, Relevant, and Time-Bound.”

Traditionally, enforcement authorities tended to adopt the overarching strategic goal of reducing undeclared work and focused on strategic objectives and KPIs related to deterring undeclared work. Typical KPIs widely used included: the number of audits/inspections conducted; the proportion of all audits/inspections identifying undeclared work, and the level of fines generated.

However, when the strategic goal of an enforcement authority shifts from reducing undeclared work to transforming undeclared work into declared work, other strategic objectives and KPIs are required. This has been recognised in previous European Platform tackling undeclared work (hereafter the “Platform”) activities. In Mutual Assistance Projects (MAPs)¹, most labour inspectorates visited have recognised that their strategic objectives and the resultant performance indicators have been based on the traditional deterrence approach. The objectives have been often to conduct x 000 inspections and sometimes that y % of these inspections should identify undeclared work and a certain level of fines generated. With a few notable exceptions (e.g., the Belgium MAP with SIOD), there had been little consideration given to developing the wider range of strategic objectives and KPIs that a modern labour inspectorate whose strategic goal is to transform undeclared work into declared work needs to use to measure the effectiveness of their performance. For example, when the strategic goal of labour inspectorates is to transform undeclared work into declared work, a KPI may be the number of labour relations legitimised each year, rather than the number of cases of undeclared work detected and punished, or the amount in fines imposed or collected. Much of the first day of MAPs has therefore been spent discussing the range of strategic objectives that the labour inspectorate could pursue and possible performance indicators.

The only other discussion that the Platform has so far had about KPIs has been at the Platform plenary meeting in March 2019 when four countries (Ireland, Latvia, Netherlands, and Spain) presented their approaches to using KPIs. The Member State presentations demonstrated how it is essential to modernise enforcement agencies and shift the focus from a purely deterrence to a more holistic approach. However, it was also clear that enforcement authorities are generally only at the very early stages of considering the consequences of a holistic approach for the strategic objectives and KPIs of their organisations. To take forward learning on setting KPIs, the outcome was inclusion in the 2021-2022 Platform work programme of a 2022 study on KPIs (and a follow-up 2022 Platform plenary meeting thematic day discussion on “measuring the effectiveness of policy approaches and performance of enforcement authorities”). This report presents the results of this study.

The 2022 survey of Platform members regarding their progress towards a holistic approach provides a baseline assessment of the progress of authorities in adopting the strategic goal of transforming undeclared work into declared work and related KPIs.² Almost half (46 %) responding had fully adopted the strategic goal of transforming undeclared work into declared work, 8 % were pursuing pilot initiatives, 17 % had decided to implement this strategic goal and 29 % were discussing its adoption. However, variations in progress exist across European

¹ MAPs are demand-driven exchanges giving Platform representatives the opportunity to be counselled by peers in strategic areas. The support is flexible, and topics can be tailored to the needs of the host authority. On request of the host country, the activity could be of wide scope for instance, more general strategic discussion or more focused on a specific area of interest e.g., management and governance issues, or on a particular policy challenge.

² Williams, C.C. and Horodnic, I. A. (2022) [Progress of national authorities towards a holistic approach: study using a common assessment framework](#), European Platform tackling undeclared work.



regions. This strategic goal has been fully adopted by all authorities responding in Southern Europe, 67 % in Northern Europe, but just 25 % in Western Europe and 11 % in East-Central Europe.

Turning to progress on adopting targets or KPIs related to transforming undeclared work into declared work, there is less progress. Although 96 % of all responding authorities have made some progress, just 33 % had fully adopted targets/KPIs on transforming undeclared work into declared work, 17 % were pursuing a pilot initiative to implement such targets/KPIs, 8 % had taken a decision taken to implement these and in 38 % discussion was taking place. Indeed, slowest progress is in East-Central Europe where just 22 % had fully adopted KPIs related to transforming undeclared work into declared work, and 11 % of authorities reported no progress in implementing such targets/KPIs.

Given this widespread pursuit of the strategic goal of transforming undeclared work into declared work but slower progress on adopting KPIs/targets to measure performance on achieving this goal, a clear rationale exists for this study on how KPIs can be developed measuring the effectiveness of labour inspectorates in transforming undeclared work into declared work.

1.1 Aims and objectives

The aim of this study has been to provide learning on how KPIs can be developed measuring the effectiveness of labour inspectorates in transforming undeclared work into declared work.

To do so, this study has the following objectives:

1. To outline a common assessment framework based on a holistic approach for developing labour inspectorates' strategic goals, objectives and KPIs.
2. To develop a method that labour inspectorates can employ to develop their strategic objectives and performance indicators, tailored to their context, measuring their effectiveness on each component of the holistic approach.
3. To co-produce with two labour inspectorates a set of strategic objectives and KPIs tailored to their context assessing their effectiveness on each component of the holistic approach.

To achieve these aims and objectives, the next section introduces a methodology that can be used to develop KPIs measuring the effective of labour inspectorates in transforming undeclared work into declared work. Section 3 then sets out the range of performance indicators required by labour inspectorates pursuing a holistic approach, along with some **hypothetical examples**. Sections 4 and 5 then turns to applying this methodology in practice by presenting case studies of its application in Latvia and Belgium respectively. This is followed in section 6 by some reflections from the case study participants of the challenges involved in setting KPIs to measure the effectiveness of authorities in transforming undeclared work into declared work and tips for overcoming these challenges, whilst section 7 draws together some conclusions and suggestions.



2.0 Methodology

Key findings

- ▶ This section sets out the Balanced Scorecard (BSC) methodology that is widely used across private and public organisations for setting strategic goals, objectives and KPIs followed by how this can be tailored to measure the performance of labour inspectorates pursuing the goals and objectives of the holistic approach.
- ▶ In the context of the Platform, measuring the effectiveness of labour inspectorates relates to their effectiveness in tackling undeclared work. The overarching strategic goal in this regard is to transform undeclared work into declared work using a holistic approach.
- ▶ Therefore, performance indicators seek to measure the effectiveness of labour inspectorates in transforming undeclared work into declared work through improving (i) coordination of strategy, operations, data collection, sharing and analysis, and social partner involvement, and (ii) the range and effectiveness of the tools used to transform undeclared work into declared work.

2.1 Implications of the holistic approach for labour inspectorates' strategic objectives and performance measures

When seeking to measure the effectiveness of labour inspectorates, the key question that must be addressed is: effective in achieving what? In the context of the Platform, measuring the effectiveness of labour inspectorates relates to measuring their effectiveness in tackling undeclared work. The objective when tackling undeclared work is to transform undeclared work into declared work using a holistic approach.³ Therefore, when measuring the effectiveness of enforcement authorities in tackling undeclared work, it is their effectiveness in transforming undeclared work into declared work using a holistic approach that must be measured.

The [Glossary of Terms of the European Platform](#) tackling undeclared work defines the holistic approach as:

“Where national governments use a whole government approach to tackle undeclared work, by joining-up on the policy and enforcement level of both strategy and operations the fields of labour, tax and social security law, and involve and cooperate with social partners and other stakeholders. This approach involves using the full range of direct and indirect policy measures available to enhance the power of, and trust in, authorities respectively. The objective is to transform undeclared work into declared work in an effective manner.”

Analysing this definition, the first important point to note is that the overarching **strategic goal** is **transforming undeclared work into declared work**. To achieve this overarching strategic goal, there are two major strategic sub-goals, each of which is comprised of a series of strategic objectives (see Figure 1).

³ Williams, C.C. (2017). [Developing a holistic approach for tackling undeclared work: a learning resource](#). European Platform tackling undeclared work.

Figure 1. Holistic approach towards undeclared work: strategic goals and objectives



Given these strategic goals and objectives, what is required is a method for translating this holistic approach into a set of (i) strategic goals, (ii) strategic objectives and (iii) KPIs for labour inspectorates to measure their performance.

2.2 Methodology

To develop a method for translating this holistic approach into a set of strategic goals, objectives and KPIs and measuring performance, firstly, the conventional Balanced Scorecard (BSC) methodology that is widely used across private and public organisations for setting KPIs is briefly reviewed, followed secondly, by how this can be applied in labour inspectorates a manner that reflects the goals and objectives of the holistic approach.

2.2.1 Balanced Scorecard methodology

The conceptual framework of the Balanced Scorecard (BSC) was introduced by Kaplan and Norton (1992) for the purpose of designating, evaluating, and measuring factors that drive an organisation's performance.⁴ The Balanced Scorecard supplements measures of financial performance with additional measures of factors that drive future financial performance, namely customer satisfaction, internal processes, and the organisation's innovation and improvement activities. It seeks to measure performance in relation to four questions:

- How do customers see us? (perspective of businesses and workers on labour authorities)

⁴ Kaplan, R.S. and Norton, D.P (1992). The balanced Scorecard – Measures that drive performance, *Harvard Business Review*. <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2>



- ▶ What must we excel at? (Internal perspective, such as the policy tools used and their effectiveness)
- ▶ Can we continue to improve and create value? (Innovation and learning perspective, including modernisation of the labour authority and joining-up operations)
- ▶ How do we look to shareholders/stakeholders? (stakeholder perspective, including the Minister, social partners and the wider society)

The result is that it covers four main organisational perspectives:

- ▶ *Stakeholders* – to satisfy the organisation's stakeholders, what objectives must be accomplished; how should the organisation improve the relationship with stakeholders.
- ▶ *Customer* – to achieve the organisation's strategy, which customer needs must be satisfied.
- ▶ *Internal (Operational Excellence)* – to satisfy the organisation's customers, in which internal business processes must the organisation excel.
- ▶ *Learning and Innovation (People and Culture)* – to achieve the organisation's strategy, how must the organisation develop, motivate and empower management and staff and join-up operations.

Since its development, the BSC method has been applied not only in private sector businesses but also in third sector organisations⁵ as well as public services including hospital and healthcare services, police services and higher education.⁶ It has also been applied in tax authorities.⁷ The result is that it has become a well-accepted management practice within the public sector.⁸ Overall, the conclusion of scholarship is that the Balanced Scorecard methodology converts an organisation's value drivers, for example operational efficiency and financial performance into defined metrics. This can help organisations to keep, record and analyse metrics to determine if they are achieving their strategic goals.

The standard steps required to be completed to implement the Balanced Scorecard approach in an organisation are:

1. Define strategic goals and objectives, as part of strategic business planning.
2. Define performance measures linked to each strategic objective.
3. Set the targets for each performance measure.

⁵ Martello, M. J. G. Watson, M. J. Fischer, (2008), *Implementing a Balanced Scorecard in a not-for-profit organisation*, Journal of Business and Economic Research, Vol. 6 (9).

⁶ de Freitas, J. V., Oliveira, M. A. de, Veroneze, G. de M., & Pereira, M. S. (2021). [The Use of the Balanced Scorecard as a Strategic Tool in Public Institutions: A Systematic Review](#). *European Journal of Business and Management Research*, 6(4), 26–33. Kumar J, Prince N, Baker HK. Balanced Scorecard: A Systematic Literature Review and Future Research Issues. *FIIB Business Review*. 2022;11(2):147-161. Radnor, Z. and Lovell, B. (2003). [Defining, justifying and implementing the Balanced Scorecard in the National Health Service](#), *Journal of Medical Marketing: Device, Diagnostic and Pharmaceutical Marketing*, Vol. 3(3). Hodgson, L., Farrell, C.M. and Connolly, M. (2007). [Improving UK Public Services: A review of the evidence](#), *Public Administration*, Vol. 85 (2), 355-382. Pedro, R.B.M., Antonio, L.H.M. and David, O.R. (2010), [Implementing the balanced scorecard in public sector agencies: An experience in municipal sport services](#). *Revista Latinoamericana de Administración*, Vol.45, pp.116-139. Pollalis, Y.A., Gartenberg, M. and Edmunds, B. (2004), [Applying the Balanced Scorecard in the Public Sector](#), *Spoudai: Journal of Economics and Business*, Vol. 54.; Pidd, M. (2012), *Measuring the Performance of Public Services: Principles and Practices*, Cambridge University Press; Peters, B.G. and Savoie, D.J.(2000), *Governance in the Twenty-first Century: Revitalizing the Public Service*, McGill-Queen University Press.

⁷ Sayedi, M. (2016) [The non-financial and financial performance evaluation of tax office using balanced scorecard](#), *International Journal of Business Information Systems*, 2(2).

⁸ Pedro, R.B.M., Antonio, L.H.M. and David, O.R. (2010), [Implementing the balanced scorecard in public sector agencies: An experience in municipal sport services](#). *Revista Latinoamericana de Administración*, Vol.45, pp.116-139.



4. Define accountable business units.
5. Define initiatives needed to improve performance and achieve the targets; and
6. After defining the performance measurement framework at the organisational level, prepare it at the business unit level and the individual level.

Step 1 establishes strategic goals. Strategic goals should fit with the vision and mission of the inspectorate. Once the strategic goals are established, a set of strategic objectives can be identified. Strategic objectives define what actions must be taken to reach the strategic goals. Both strategic goals and strategic objectives should be set in the strategic business plan. It is recommended to have 4 or 5 objectives for each perspective (16-20 in total for the entire Balanced Scorecard).

Step 2: is formulating the performance measures. For each strategic objective at least one measurement is needed. Measurements provide feedback on meeting the strategic objective and define objectives in specific terms. For the sake of formulating the measurements, an organisation can use some of their existing measurements, where suitable. Measurements should be quantifiable and verifiable. It is recommended that there should be no more than two measures per objective. However, there could be more if the organisation believes more measures are necessary to show the achievement of a strategic objective.

Step 3: after defining the most appropriate measures, is to set realistic targets for each measurement. Targets push the organisation to a required level of performance. Targets for the measures (for the specific objectives), should indicate the achievement of that objective. When an organisation achieves its targets, and does so on a continuous basis, then it has successfully implemented its strategy.

Step 4: is defining the necessary roles and responsibilities for the stakeholders involved in meeting each of the targets.

Step 5: is setting the initiatives needed/actions or programmes to achieve each of the Balanced Scorecard measures. The initiatives should be reflected in the action plans of each division.

Step 6: after the high-level Balanced Scorecard is developed, then this final step develops balanced scorecards for lower organisational levels. Performance measurement of each business unit should be linked to the overall organisational goals. Balanced scorecards can also be developed for individuals in the organisation – including setting the targets, related to the actions planned for the department, and evaluating employee's performance based on the targets set.

The complete application of the Balanced Scorecard requires the implementation of all six steps. The minimum time for developing a Balanced Scorecard is usually three months, though full deployment of scorecards throughout all staff in an organisation can take more than one year.

In the context of labour inspectorates, such a BSC methodology could be beneficial to assess performance based on measurements directly linked to their overarching strategic goal of transforming undeclared work to declared work. Below, how this Balanced Scorecard method can be applied in labour inspectorates adopting a holistic approach towards tackling undeclared work is set out.

2.2.2 Tailoring the BSC methodology to labour inspectorates using a holistic approach towards undeclared work

The four main organisational perspectives/dimensions conventionally used in the BSC methodology crosscut the perspectives/dimensions used in the holistic approach (see Figure 1 above). For example, the financial/stakeholder perspective crosscuts the holistic component associated with social partner involvement as well as for example the components on improving sanctions and the risk of detection. The customer perspective

crosscuts for example the holistic component associated with modernising the enforcement authority as well as the components on joining-up strategy, operations, and data collection, sharing and analysis. The internal dimension again crosscuts for instance the modernisation of the enforcement authority component of the holistic approach as well as the joining-up operations component, whilst the learning and growth component crosscuts again the modernisation of the authority dimension for example.

Given this, and so that it is clear and explicit to labour inspectorates how the KPIs being set are directly related to the strategic goals and objectives arising from the pursuit of a holistic approach towards tackling undeclared work, this study uses the dimensions of the holistic approach (rather than replace them with the financial/stakeholder, customer, internal and learning and growth perspectives). To repeat, the strategic goal is to transform undeclared work into declared work, and the two core perspectives/dimensions (and their sub-perspectives/dimensions) are:

- ▶ Developing a joined-up approach, composed of:
 - ▷ Cooperation on strategy with other bodies
 - ▷ Cross-government and cross-border joint and concerted operations
 - ▷ Cross-government cooperation on data collection, exchange, and analysis
 - ▷ Cooperation with social partners
- ▶ Using a full range of effective policy tools, composed of:
 - ▷ Sanction tools in transforming undeclared work into declared work
 - ▷ Tools to improve the risk of detection
 - ▷ Tools to make declared work easier and more beneficial
 - ▷ Tools to educate and raise awareness about the benefits of declared work and the importance of labour law compliance
 - ▷ Tools that modernise the labour inspectorate

However, the six steps required to implement the Balanced Scorecard method in an organisation are fully retained, namely:

1. Define strategic goals and objectives, as part of strategic business planning.
2. Define performance measures linked to each strategic objective.
3. Set the targets for each performance measure.
4. Define accountable business units.
5. Define initiatives needed to improve performance and achieve the targets; and
6. After defining the performance measurement framework at the organisational level, prepare it at the business unit level and the individual level.

The holistic approach, as outlined in section 2.1 above, clearly defines the strategic goals and objectives (i.e., the first step) of labour inspectorates pursuing a holistic approach towards undeclared work. To understand how the next five steps in the BSC method can be applied in practice to produce resultant KPIs for labour inspectorates, case studies with two labour inspectorates using this BSC method will be presented.



2.3 Case studies with two labour inspectorates

To show how this BSC method can be applied in practice, case studies have been conducted with two labour authorities, namely the Latvian State Labour Inspectorate and the Social Information and Investigation Service (SIOD) in Belgium. Using a co-production approach with experts working with the labour inspectorate to apply this method, national experts have supported the labour inspectorates throughout the process of applying the method. These national experts:

- ▶ Analysed the current strategy and KPIs of the authority and analysed them against the holistic approach.
- ▶ Discussed the results of the gap analysis with the authority.
- ▶ Co-developed with the authority any missing performance indicators.
- ▶ Implemented the six steps of the BSC method on both existing and new performance indicators.
- ▶ Gathered the authority's feedback on the BSC method's usefulness and the transferability potential of the co-developed indicators, as well as the challenges faced in transforming KPIs and any tips or good practices on how these can be overcome.

The State Labour Inspectorate (SLI) in Latvia is an example of a labour inspectorate in East-Central Europe that has made significant progress in recent years in rethinking its strategic goals, objectives and KPIs to relate them to the holistic approach. Following a MAP visit in 2017, the SLI decided to pilot changing their strategic goal from deterring undeclared work to transforming undeclared work into declared work, and to change their strategic objectives and KPIs from an 'old style' deterrence set of performance indicators to a 'modern' set of strategic objectives and indicators associated with many components of the holistic approach. It was intended that these new strategic objectives and performance indicators would operate alongside the previous indicators in the first instance. This case study was therefore chosen to discuss the progress made, challenges faced and how they have been overcome. In addition, since 2017, the Platform and its members have developed its thinking and more clearly defined the components of the holistic approach. It was therefore opportune to consider through a gap analysis whether all the components of a holistic approach were present in the strategic objectives and performance indicators of the SLI.

Belgium's Social Information and Investigation Service (SIOD) is the second case study. In recent years, it has moved away from a purely deterrence approach and established a more diverse range of strategic objectives and performance indicators for its 2022-2025 strategic plan that reflects the more preventative and coordinated approach associated with the holistic approach. This case study was therefore chosen to discuss the progress made, challenges faced and how they had been overcome. In addition, many of the actions had not yet been subject to the full six step process of the BSC method, with many missing performance indicators and targets. For SIOD, there were challenges in measuring performance on many of the performance indicators associated with the preventative approach, and it was considered useful to explore how these KPIs could be measured and evaluated. The lessons learned were also considered to be of wider relevance to many Platform members who are similarly struggling with how to measure and evaluate performance in relation to the more preventative policy initiatives.

3.0 KPIs for measuring the effectiveness of labour inspectorates

Key findings

- ▶ This section shows the range of performance indicators required by labour inspectorates pursuing a holistic approach towards undeclared work.
- ▶ For labour inspectorates adopting a holistic approach, the strategic goal is to transform undeclared work into declared work and to achieve this, there are two sub-goals: (i) developing a joined-up approach and (ii) adopting the full range of policy tools available.
- ▶ To measure performance on developing a joined-up approach, KPIs are required on the following strategic objectives:
 - ▷ Implementing or improving cooperation on strategy with other bodies.
 - ▷ Implementing or improving cross-government and cross-border joint and concerted operations.
 - ▷ Implementing or improving cross-government cooperation on data collection, exchange, and analysis.
 - ▷ Implementing or improving cooperation with social partners.
- ▶ To measure performance on the policy tools used, KPIs are required on the following strategic objectives:
 - ▷ Implementing or improving the effectiveness of sanction tools in transforming undeclared work into declared work.
 - ▷ Implementing or improving the effectiveness of tools that improve the risk of detection.
 - ▷ Implementing or improving the effectiveness of tools that make declared work easier and more beneficial.
 - ▷ Implementing or improving the effectiveness of tools to educate and raise awareness about the benefits of declared work and the importance of labour law compliance.
 - ▷ Implementing or improving the effectiveness of tools that modernise the labour inspectorate.

For labour inspectorates tackling undeclared work using the holistic approach, there is **one strategic goal**, namely **transforming undeclared work into declared work**. To achieve this, Table 1 presents the range of **strategic objectives** and **key performance indicators (KPIs)** that need to be pursued.

Table 1. Strategic objectives and Key Performance Indicators to measure effectiveness of labour inspectorates

No.	STRATEGIC OBJECTIVES (SOS) AND KEY PERFORMANCE INDICATORS (KPIs)
SO 1.	IMPLEMENTING OR IMPROVING COOPERATION ON STRATEGY WITH OTHER BODIES
KPI 1.1	Cooperation on strategy with other bodies involved in transforming undeclared work into declared work



SO 2.	IMPLEMENTING OR IMPROVING CROSS-GOVERNMENT AND CROSS-BORDER JOINT AND CONCERTED OPERATIONS.
KPI 2.1	Cross-government joint and concerted operations
KPI 2.2	Operations at the cross-border level
SO 3.	IMPLEMENTING OR IMPROVING CROSS-GOVERNMENT COOPERATION ON DATA COLLECTION, EXCHANGE, AND ANALYSIS
KPI 3.1	Cross-government cooperation on data collection, data exchange and data interoperability, and data analysis
SO 4.	IMPLEMENTING OR IMPROVING COOPERATION WITH SOCIAL PARTNERS
KPI 4.1	Cooperation and relationships with social partners involved in transforming undeclared work into declared work
SO 5.	IMPLEMENTING OR IMPROVING THE EFFECTIVENESS OF SANCTION TOOLS IN TRANSFORMING UNDECLARED WORK INTO DECLARED WORK
KPI 5.1	The effectiveness of sanction tools in transforming undeclared work into declared work in the next 12 months
SO 6.	IMPLEMENTING OR IMPROVING THE EFFECTIVENESS OF TOOLS THAT IMPROVE THE RISK OF DETECTION, INCLUDING DEVELOPING DATA MINING, MATCHING AND SHARING
KPI 6.1	The effectiveness of tools that improve the risk of detection in the next 12 months
SO 7.	IMPLEMENTING OR IMPROVING THE EFFECTIVENESS OF TOOLS THAT MAKE DECLARED WORK EASIER AND MORE BENEFICIAL
KPI 7.1	The effectiveness of tools that make declared work easier and more beneficial in the next 12 months
SO 8.	IMPLEMENTING OR IMPROVING THE EFFECTIVENESS OF TOOLS TO EDUCATE AND RAISE AWARENESS ABOUT THE BENEFITS OF DECLARED WORK AND THE IMPORTANCE OF LABOUR LAW COMPLIANCE
KPI 8.1	The effectiveness of tools that educate and raise awareness about the benefits of declared work and the importance of labour law compliance in the next 12 months
SO 9.	IMPLEMENTING OR IMPROVING THE EFFECTIVENESS OF TOOLS THAT MODERNISE THE LABOUR INSPECTORATE
KPI 9.1	The effectiveness of tools that modernise the labour inspectorate in the next 12 months

Here, each of these nine strategic objectives are considered in turn to outline for each the type of KPIs required. In each case, **hypothetical examples** are provided. These are **not prescriptions** of the KPIs that should be adopted. Instead, they are intended to provide **inspiration and clues** on how labour authorities might formulate their KPIs on each of these nine strategic objectives.

3.1 Implementing or improving cooperation on strategy with other bodies

Conventionally, different government departments are responsible for different aspects of tackling undeclared work (e.g., tax authorities for tax compliance, labour inspectorates for labour law violations and social insurance bodies for social security compliance). Often these authorities work in 'silos' with separate strategies and targets. The result is a fragmented and uncoordinated approach with no common and/or shared strategy, objectives, or targets. Hence, a more integrated strategic approach is required.

A way of coordinating strategy in countries is to develop one overall body responsible for coordinating strategy towards undeclared work. In the 2022 Platform study of progress towards a holistic approach⁹, only 17 % of the authorities responding reported that there is one single body responsible for the national strategy towards undeclared work. 79 % report that different authorities are responsible for different aspects. Examining how targets are best described, 29 % of authorities responding state that there is a common set of cross-government targets for tackling undeclared work, 38 % state that some government departments have shared targets and 33 % state that each government department/agency has its own targets.

Although achieving this strategic objective of developing joined-up cross-government strategy cannot be achieved by labour inspectorates on their own, they can set for their labour inspectorate a strategic objective in this regard and establish targets.

KPI 1.1 Cooperation on strategy with other bodies involved in transforming undeclared work into declared work

Strategic Action

To achieve a whole government approach towards transforming undeclared work into declared work, greater cooperation on the level of strategy is required with both tax and social insurance authorities and other stakeholders.

Performance Measure

Evidence of improved cooperation on strategy towards undeclared work with other bodies.

Targets

Establishment of a cross-government strategy coordinating committee, whose performance is measured by the production of a national action plan for tackling undeclared work, with shared strategic objectives, that are common targets for the tax, labour and social insurance authorities, and their performance measured in these authorities. This national action plan might be on undeclared work as a whole or might be on some aspect of undeclared work, such as bogus self-employment or a specific sector.

Accountable business units

Labour Inspectorate head, Tax authority, Social Security authority, Ministry and other Ministries

Initiatives needed to improve performance and achieve the targets

⁹ 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.



This requires the labour inspectorate to act as the *catalyst* for the adoption of a whole government approach to tackle undeclared work. This can be achieved in a gradual emergent *bottom-up* manner by pursuing common practical projects. For example, the strategy coordinating committee might arise out of the establishment of a cross-government working group on tackling under-declared employment or bogus self-employment or addressing undeclared work in a risky sector.

Performance measurement framework at regional/local office level and individual level

Individual performance targets for head of labour inspectorate or staff member/s designated with responsibility for:

- Establishment of a strategy coordinating committee, whose performance is measured by the production of a national action plan for tackling undeclared work, with shared strategic objectives and common targets for the tax, labour and social insurance authorities, and their performance measured in these authorities.

3.2 Implementing or improving cross-government and cross-border joint and concerted operations

It is traditionally the case that different enforcement authorities undertake operations separately in an uncoordinated manner. A more business-friendly and potentially effective approach would be to engage in greater coordination, such as joint and concerted operations:

- ▶ Concerted operations are actions (e.g., inspections) undertaken by two or more competent authorities simultaneously and related to the same case, but perhaps in different locations.
- ▶ Joint operations are when an operation (e.g., a workplace inspection) is conducted concurrently by several enforcement authorities in the same workplace.

Rather than receive multiple visits from different arms of government (e.g., labour inspectors, health and safety inspectors, tax inspectors), greater coordination at the level of operations, such as joint and concerted inspections, or education and awareness raising campaigns, can be therefore perceived as a business-friendly approach that reduces the perceived burden of government regulation.

In the 2022 Platform study of progress towards a holistic approach, adopting joint or concerted operations as a strategic objective is being discussed in 17 % of enforcement authorities responding, 12 % are either pursuing a pilot initiative or have taken a decision to implement this as a strategic objective, and 67 % have fully adopted joint or concerted operations as a strategic objective. Fewer authorities responding (38 %) have fully adopted a target for the share of all operations which are joint or concerted, 8 % are pursuing a pilot initiative, 25 % are discussing it and 29 % have made no progress. Setting targets for this are therefore a common requirement.

On whether cross-border cooperation is a clearly defined strategic objective of their authority, 4 % have made no progress, 29 % are discussing making cross-border cooperation a strategic objective, 21 % have taken a decision to implement or are pursuing a pilot initiative, and 46 % have fully adopted this strategic objective. Turning to whether a target has been set for the proportion of all operations which will be cross-border, 29 % have made no progress in this regard, 42 % are discussing setting targets, 12 % have taken a decision to implement this or are pursuing a pilot initiative, and 17 % have fully adopted the setting of targets for the proportion of all operations which will be cross-border. Again, setting targets are therefore a common requirement for the future.



KPI 2.1 Cross-government joint and concerted operations

Strategic Action

To achieve greater cooperation on the policy and enforcement level of operations in the fields of labour, tax and social security law.

Performance Measure

Evidence of cooperation on operations with other bodies, displayed in the existence of an operations coordinating committee that produces and coordinates a national action plan for joint operations, and meets regularly to plan and monitor progress, which is measured by the % of all operations in the labour, tax and social insurance authorities are joint and/or concerted operations.

Targets

Establishment of an operations coordinating committee, whose performance is measured by the % of these joint and concerted operations which result in the transformation of undeclared work into declared work, assessed by the increase in the number of (i) registered employees (full-time and part-time) in the businesses subject to operations, and (ii) total working hours/days in these businesses, in the employment register.

Accountable business units

Labour inspectorate and other relevant inspection authorities

Initiatives needed to improve performance and achieve the targets

This requires the labour inspectorate to act as the *catalyst* for the establishment of an operations coordinating committee if one does not already exist. Improved cooperation on operations can be achieved in a gradual emergent *bottom-up* manner by pursuing common practical projects. For example, the operations coordinating committee might emerge out of the establishment of a cross-government working group on pursuing joint or concerted inspections on tackling under-declared employment or bogus self-employment or targeting a risky sector.

Performance measurement framework at regional/local office level and individual level

For head of labour inspectorate or staff member/s made responsible for joining-up operations:

- Establishment of an operations coordinating committee/working group, displayed by the establishment of a coordinating committee with an annual plan, whose performance is measured by (i) the % of all operations in the labour, tax and social insurance authorities are joint and/or concerted operations and (ii) the % of these joint and concerted operations which result in the transformation of undeclared work into declared work. After comparison with the % for other operations on tackling undeclared work, a plan is then required on initiatives to improve performance.

Individual performance targets at regional/local level and individual level:

- Performance is measured by (i) the % of all operations in the labour, tax and social insurance authorities are joint and/or concerted operations and (ii) the % of these operations which result in the transformation of undeclared work into declared work.

KPI 2.2 Operations at the cross-border level

Strategic Action

To achieve greater cooperation on the level of operations at the cross-border level at transforming undeclared work into declared work.

Performance Measure

Coordination of operations at the cross-border level, displayed in the existence of a cross-border operations coordinating committee/group that produces and coordinates a national action plan for joint and concerted operations at the cross-border level, and meets regularly to plan and monitor progress, which is measured by the % of all operations that are conducted on a cross-border level in the past 12 months.

Targets

Establishment of a cross-border operations coordinating committee/group, whose performance is measured by the % of these cross-border joint or concerted operations that result in the transformation of undeclared work into declared work, assessed by the increase in the number of (i) registered employees (full-time and part-time) in the businesses subject to cross-border operations, and (ii) total working hours/days in these businesses, in the employment register.

Accountable business units

Labour inspectorate staff responsible or coordinating committee for cross-border operations.

Initiatives needed to improve performance and achieve the targets

Improvements in cross-border operations can be achieved in a gradual emergent *bottom-up* manner by pursuing common practical projects. For example, the cross-border operations coordinating committee/group might:

- (i) focus upon joint or concerted inspections in a specific sector (e.g., agriculture, road transport, accommodation).
- (ii) seek to measure the impacts of engagement in cross-border campaigns.

Performance measurement framework at regional/local office level and individual level

For head of labour inspectorate or staff member/s made responsible for cross-border operations:

- Establishment of an operations coordinating committee/working group, displayed by the establishment of a coordinating committee with an annual plan, whose performance is measured by (i) the % of all operations in the labour, tax and social insurance authorities are cross-border operations and (ii) the resultant transformation of undeclared work into declared work.

Individual performance targets for those involved:

- Performance is measured by (i) the % of all operations in the labour, tax and social insurance authorities that are cross-border joint and/or concerted operations and (ii) the resultant transformation of undeclared work into declared work.

3.3 Implementing or improving cross-government cooperation on data collection, sharing and analysis

Besides coordinating strategy and operations across government, it is also becoming increasingly important to cooperate on data collection, sharing and analysis. These terms can be defined as follows:

- **Data collection:** the process of gathering data from internal and external sources (Williams, 2021).
- **Data sharing:** the process of making data available to other users (De Wispelaere and Pacolet, 2017). Sharing of data between enforcement authorities is important for tackling undeclared work. Legislative and technical constraints often prevent data sharing (Williams and Puts, 2017).
- **Data analysis:** the large-scale analysis of records or files collected or held for different purposes, with a view to identifying matters of interest (De Wispelaere and Pacolet, 2017). This process allows potential instances of undeclared work to be identified.

A first requirement is for authorities to establish electronic databases (e.g., case management records, employment registers, business registers) that have real-time up-to-date data collected in a cost-effective manner (e.g., making the employer responsible for updating and registering/deregistering an employee prior to the first day of work/on the last day of work).

The second step is to ensure that these databases are inter-operable with the databases of other state authorities and ministries so that data can be shared electronically, and to establish bilateral and multilateral agreements for the sharing of data.

A third and final step is to consider the establishment of a central unit holding the combined databases of all authorities and providing the data analysis function for all authorities.

In the 2022 Platform study of progress towards a holistic approach, on **data sharing** with other government departments, 8 % of authorities responding have limited access to data from other authorities and the remaining 88 % has electronic access to some data from other authorities. Only 4 % of authorities have full electronic access to all relevant data from other authorities' databases. Sharing data, therefore, could be significantly improved and this needs to be a target for authorities to pursue.

On **data analysis**, no country reports having one central unit that holds the data and does the analysis for all authorities and none can directly analyse all relevant databases from all other authorities. 29 % of authorities surveyed can only directly analyse their own databases, 50 % receive data from other authorities that can be imported into their own databases and just 21 % can directly analyse some relevant databases from other agencies. Data analysis, therefore, could be again significantly improved and this again needs to be a target for authorities to pursue.

KPI 3.1 Cross-government cooperation on data collection, data exchange and data interoperability, and data analysis

Strategic Action

To achieve a whole government approach towards transforming undeclared work into declared work, greater cooperation on data collection, data exchange and data interoperability, and data analysis is required.

Performance Measure

Evidence of improved coordination and cooperation on data collection, data exchange and data interoperability, and data analysis with other government authorities responsible for tackling undeclared work, displayed in the existence of a data management coordinating committee that produces and coordinates a national action plan for data collection, data exchange and interoperability, and data mining and matching to tackle undeclared work, and meets regularly to plan and monitor progress.



Targets

Establishment of a cross-government data coordinating committee/group, displayed by the establishment of a coordinating committee with an annual plan, whose performance is measured by the extent to which there has been (i) cooperation on data collection (ii) data exchange and developing interoperability and (iii) cooperation on data analysis to detect and transform undeclared work into declared work in the previous 12 months.

Accountable business units

Higher management official responsible for data collection, sharing and analysis in the labour inspectorate

Initiatives needed to improve performance and achieve the targets

This requires the labour inspectorate to act as the *catalyst* for the establishment of a cross-government data management/coordinating committee/group if one does not already exist. Improved cooperation on data management can be achieved in a gradual emergent *bottom-up* manner by pursuing common practical projects. For example, the data coordinating committee might arise out of joint working group on a specific issue such as what third-party data could be useful to acquire for all authorities when detecting and preventing undeclared work or some type such as envelope wages.

Performance measurement framework at regional/local office level and individual level

Performance target for unit/group responsible for data management in the labour inspectorate:

- Establishment of a cross-government data coordinating/management committee/group, whose performance is measured by the extent to which there has been (i) cooperation on data collection (ii) data exchange and developing interoperability and (iii) cooperation on data analysis to detect and transform undeclared work into declared work in the previous 12 months.

3.4 Implementing or improving cooperation with social partners

Any enforcement authority needs to build partnerships with social partners. This can be a clearly defined strategic objective of the authority. In the 2022 Platform study of progress towards a holistic approach, 25 % of authorities responding state that there is either discussion taking place on adopting partnership building as a strategic objective or a decision has been taken to implement this as a strategic objective. This is fully adopted as a strategic objective in 63 % of authorities. In 13 % of authorities, discussion is taking place on identifying the social partners and specifying the relationships sought, whilst this is fully adopted in 67 % of authorities.

Examining the level of involvement with social partners in their authority, all consult social partners. In 25 % it is irregular ad hoc involvement and in 37 % it is regular engagement in joint actions (e.g., information and awareness campaigns). Only 21 % have tripartite agreements on either sector specific inspection targets, information exchange, and/or awareness raising, but only 17 % of authorities have full tripartite agreements on all three aspects. Therefore, the level of involvement of social partners could be improved in most cases.

In 21 % of authorities, no progress has been made on allocating specific staff to the task of partnership building in their organisations, addressing the problems in partnership building and pursuing solutions. In 33 % of authorities, discussion is taking place, or a decision has been taken to implement this, and in only 46 % of authorities is this fully adopted. Therefore, an important requirement in many is to allocate responsibility to specific staff for partnership building.



On whether there are transparent agreements, the outcomes of partnerships are evaluated, and the results shared, in 33 % of authorities no progress has been made, in 38 % discussion is taking place, a decision has been taken to implement this or a pilot initiative is being pursued, and in only 29 % of authorities is this fully implemented. Therefore, there is considerable room for improvement on this issue by developing bilateral and multilateral agreements in relation to tackling undeclared work and evaluating the outcomes. These could be, for example, on education and awareness raising, sector-specific initiatives or even workplace inspections. This is important to pursue as an eventual target and the above steps (e.g., appointing staff responsible for partnership building) are means of achieving this.

KPI 4.1 Cooperation and relationships with social partners involved in transforming undeclared work into declared work

Strategic Action

To achieve a holistic approach towards transforming undeclared work into declared work, greater cooperation of authorities and social partners is required.

Performance Measure

Evidence of improved cooperation between the labour inspectorate and social partners in transforming undeclared work into declared work, displayed in steps being taken towards the achievement of fuller cooperation on sector specific inspection targets, information exchange, and awareness raising (whilst respecting national traditions and legal frameworks).

Targets

Moving towards implementation of fuller cooperation on tackling undeclared work between the labour inspectorate and social partners, with a target of achieving one of the following new steps towards this in the next 12 months:

- (i) Adopting partnership building as a strategic objective.
- (ii) Identifying the social partners and specifying the relationships sought and at what level of the inspectorate.
- (iii) Allocating specific staff with responsibility for the tasks of partnership building and setting them targets for identifying the challenges in partnership building and implementing solutions in the next 12 months.
- (iv) Improving the level of involvement with social partners, from irregular ad hoc involvement through joint actions (e.g., information and awareness campaigns) to full tripartite agreements on sector specific inspection targets, information exchange, and/or awareness raising.
- (v) Implementing transparent partnership agreements, evaluating the outcomes of this partnership agreement, and sharing the results.

Seeking modifications of the full tripartite agreement to enable continuous improvements in the outcomes, namely the transformation of undeclared work into declared work.

Accountable business units

Head of labour inspectorate and/or those allocated responsibility for partnership building.

Initiatives needed to improve performance and achieve the targets

This requires the labour inspectorate to act as the *catalyst* for the establishment of improved cooperation with social partners. Improved cooperation on operations can be achieved in a gradual emergent manner by pursuing any one of the above new steps in a 12-month period.



Performance measurement framework at regional/local office level and individual level

For head of labour inspectorate or staff member/s made responsible for partnership building:

- Implementation of any one of the above new steps in the next 12-month period.

Individual performance targets at regional/local level and individual level for those responsible for local partnership building:

- Implementation of any one of the above new steps in the next 12-month period.

3.5 Implementing or improving the effectiveness of sanctions

In the 2022 Platform study of progress towards a holistic approach, most authorities use a range of penalties and fines, although there is slightly lower uptake of 'naming and shaming' lists (17 % of authorities use this), use of non-compliance lists (33 % of authorities) and the exclusion of businesses from public procurement contracts that have been previously non-compliant (71 % of authorities). Examining their reflections on the range of sanction measures used, 12 % of authorities perceive themselves as offering a limited or very limited range of sanctions, 25 % neither a limited nor a wide range, and 63 % a wide or very wide range of sanctions. Indeed, most perceive there to be room for improvement on the range of sanctions used. Only 8 % of authorities perceive there to be no room for improvement.

At least four types of sanction can be implemented to transform undeclared work into declared work, or their effectiveness in doing so improved, namely:

1. Fines to transform undeclared work into declared work.
2. Sanctions applied to citizens or businesses who purchase goods and services from the undeclared economy.
3. Non-compliance lists.
4. Sanctions that exclude non-compliant businesses from bidding for public procurement contracts, receiving subsidies and/or licences.

Below, two examples are given of firstly, a KPI on improving the effectiveness of using fines to transform undeclared work into declared work and secondly, a KPI on improving the success of court prosecutions on labour law violations.

KPI 5.1 The effectiveness of any one sanction tool in transforming undeclared work into declared work in the next 12 months

Example 1: Improving effectiveness of using fines to transform undeclared work into declared work

Strategic Action

Fines can be used to encourage undeclared jobs to be transformed into declared jobs. This can be achieved by reducing the penalty if the employer employs the worker/s for at least 12 months (or in the case of a seasonal workers if the worker is employed for at least three months).

To improve the effectiveness of a labour inspectorate that has implemented a penalty system to incentivise the transformation of undeclared work into declared work, there is a need to evaluate how this fines system is being



implemented and whether employers are being encouraged to reduce the penalties they pay by employing the worker for longer periods.

Performance Measure

% of fines that are being paid at: (i) EUR 10 500 plus three months social security contributions; (ii) EUR 7 000 and employs worker for three months; (iii) EUR 5 000 and employs worker for six months and (iv) EUR 3 000 and employs worker for one year [of course to be adapted to national conditions and circumstances].

Targets

2022 - benchmark figures established

2023 – reduction by 15 percentage points in proportion choosing (i) and an increase by 15 percentage points the proportion adopting options either (ii), (iii) or (iv), compared with 2022

Accountable business units

Labour inspectorate staff given responsibility for evaluating and improving this sanction tool

Initiatives needed to improve performance and achieve the targets

Having evaluated the first-year figures to provide the benchmark, the first step is to evaluate (i) whether the level of these reductions in the fine are sufficient to encourage employers to continue to employ the worker (and if not, to revisit the sanction reductions) and (ii) whether the worker continues to be employed after the period associated with the fine. The register of employment could be analysed to evaluate the latter.

If a high percentage of workers are not employed after the periods associated with the fine, then the second step is to incentivise more employers to opt for smaller sanctions and longer periods of continued employment. One option is to use simple ‘word of mouth’ recommendations by inspectors to the employer that if they display their commitment to employing the worker legally, they are displaying their willingness to engage in compliant behaviour by doing so. Or alternatively, it might be communicated to employers that this establishes greater trust of the labour inspectorate in their business operations if they reduce the fine and elongate the period of employment. In other words, ‘soft’ actions could be used to ‘nudge’ compliant behaviour towards longer employment periods and reduced fines. These various ‘soft’ actions in terms of language used should be evaluated in terms of what works and what does not. If this is done through notification letters, this could use a field experiment that tests the effectiveness of different types of notification letter.

Performance measurement framework at regional/local office level and individual level

Increase by 15 percentage points the proportion adopting options (ii), (iii) or (iv) could be applied to all local offices and/or individual inspectors involved in imposing these sanctions.

KPI 5.1 The effectiveness of any one sanction tool in transforming undeclared work into declared work in the next 12 months

Example 2: Improve the means and instruments used as proof of undeclared work to secure higher rates of successful court prosecutions for labour law violations

Strategic Action

Documents produced on proof of undeclared work are of a high quality measured by the rates of successful court prosecutions.

Performance Measure

Increase in number of positive court rulings compared with earlier periods

Targets

2023 – 1 % increase compared with 2022 as a % of court rulings in the year

2024 – 2 % increase compared with 2022

2025 – 3 % increase compared with 2022

Accountable business units

Senior management team of labour inspectorate

Initiatives needed to improve performance and achieve the targets

Training using mentoring of senior labour inspectors on what constitutes high quality documents to enable positive court decisions to be made. Production of a repository/library/knowledge bank of national level 'good practice' documents is produced that have resulted in positive court rulings, flagging up the key sections that constitute good practice.

To draw upon international good practice from the 2023 Platform study on means and instruments used as a proof of undeclared work, and to actively participate in the 2023 Platform seminar on the same topic, to transfer to the national context, albeit recognising the different national standards for the quality of proof produced for courts and public prosecutors.

Performance measurement framework at regional/local office level and individual level

Same targets at regional level as national level

3.6 Implementing or improving the risk of detection

In the 2022 Platform study of progress towards a holistic approach, nearly all authorities conduct workplace inspections (96 %) and inspections with other inspectorates (92 %). Online/desk-based inspections (83 %), the use of complaint reporting tools (83 %) and announced inspections (79 %) are also commonly used. Certification of business, certifying payments of social contributions and taxes (42 %), supply chain responsibility (50 %) and the coordination of data mining and sharing across government departments (54 %) are less common, and registration of workers prior to their first day at work is not universal (75 %). Neither is data mining to determine risky businesses for inspection (75 %) universal, or the use of notification letters (63 %), and mandatory ID in the workplace (63 %).

Indeed, 21 % of authorities perceive themselves as using a limited range of detection measures, 33 % neither a limited nor a wide range, and 46 % a wide or very wide range of detection measures. Most authorities perceive there to be room for improvement on the range of detection measures used, with only 4 % of authorities perceiving no room for improvement.

At least eight types of policy tool to improve the likelihood of detection can be implemented to transform undeclared work into declared work, or their effectiveness in doing this improved, namely:

1. Inspections of workplaces.
2. Registration of workers prior to first day at work.
3. Workplace identity cards.



4. Certification of business and certification schemes of social contribution and tax payments.
5. Data matching and sharing to identify risky businesses.
6. Use of complaint reporting tools.
7. Notification letters.
8. Supply chain responsibility.

Below, two examples are given of firstly, a KPI to improve the effectiveness of using a complaint reporting tool to plan inspections and secondly, a KPI on improving the effectiveness of risk analysis in detecting undeclared work.

KPI 6.1 The effectiveness of any one existing tool, that enhances the risk of detection in the next 12 months

Example 1: Improving the effectiveness of using a complaint reporting hotline to plan inspections

Strategic Action

To improve the success rate of inspections that respond to complaints reported on the hotline

Performance Measure

As a result of inspections that respond to hotline complaints, the increase in the number of (i) registered employees (full-time and part-time) in the inspected businesses, and (ii) total working hours/days in the inspected businesses, in the employment register.

Targets

2022 – benchmark numbers for (i) and (ii).

2023 – 10 percentage points increase compared with 2022 (as a % of the number of complaints received).

2024 – 15 percentage points increase compared with 2022 (as a % of the number of complaints received).

Accountable business units

Local inspectorates

Initiatives needed to improve performance and achieve the targets

The first step is to produce a list of guiding questions for people staffing the hotline.

The second step is that a set of 'recommended criteria' need to be produced for inspectors to use to 'filter' complaints made into non-action/action (e.g., whether an inspection has been recently conducted; identifying whether it is flagged as a 'risky business').

The third step is that the success rate of using these criteria to achieve a higher 'strike rate' then needs to be evaluated, and revisions made to the 'recommended criteria'.

Performance measurement framework at regional/local office level and individual level



As a result of inspections in response to hotline complaints, the increase in the number of (i) registered employees (full-time and part-time) in the inspected businesses, and (ii) total working hours/days in the inspected businesses, in the employment register.

KPI 6.1 The effectiveness of any one existing tool, that enhances the risk of detection in the next 12 months

Example 2: Improving the effectiveness of using risk analysis to transform undeclared work into declared work

Strategic Action

The aim of this strategic action is to evaluate the most effective combination of risk analysis and different types of policy intervention. In order to do so, different pilot studies are established to evaluate whether risk analysis is most effective when coupled with notification letters (of different types) or inspections (unannounced or announced) to feed into future resource decisions.

Performance Measure

Increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, when risk analysis is coupled with firstly, notification letters (of a fierce or friendly variety) and secondly, inspections (unannounced or announced).

Targets

2023 – benchmarks produced on increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, when risk analysis is coupled with notification letters (of a fierce or friendly variety) and inspections (unannounced or announced). 2024 – based on outcomes, (1) increase by 50 % the number of businesses approached using the most effective tool, by 25 % the second most effective tool, and decrease by 50 % the number of businesses approached using the last effective tool and by 25 % for the second least effective tool, and (2) re-evaluate the resultant outcomes at the end of 2024.

2025 – again, (1) increase by 50 % on 2024 the number of businesses approached using the most effective tool, by 25 % the number approached using the second most effective tool and decrease by 50 % the number approached using the least effective tool and by 25 % for the second least effective tool and (2) re-evaluate the outcomes to determine future resource allocation decisions.

Accountable business units

Senior management team of Labour Inspectorate and Data Analysis team

Initiatives needed to improve performance and achieve the targets

To evaluate whether the use of risk analysis is most effective when coupled with notification letters (of different types) or inspections (unannounced or announced), a pilot project can be undertaken in either a region or specific sectors.

The first step is to use the risk analysis tool to identify 'risky businesses'.

The second step is to compare four initiatives (that use this risk analysis) in terms of which is most effective at transforming undeclared work into declared work:

1. Use the identified 'risky businesses' to do non-announced inspections.
2. Use the identified 'risky businesses' to send 'fierce' notification letters.



3. Use the identified 'risky businesses' to send 'friendly' notification letters.
4. Use the identified 'risky businesses' to send notification letters which also announce a forthcoming inspection and conduct an announced inspection.

The third step is to evaluate the four initiatives in terms of their effectiveness at transforming undeclared work into declared work. To compare the effectiveness of the different types of intervention, the following performance measures can be used:

- Increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, in risky businesses sent a *fierce notification letter* compared with equivalent 'risky businesses' not sent a notification letter (i.e., control group).
- Increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, in the 'risky businesses' sent a *'friendly' notification letter* compared with equivalent 'risky businesses' not sent a notification letter (i.e., control group).
- Increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, in the 'risky businesses' receiving *unannounced inspections* compared with equivalent "risky businesses" not receiving unannounced inspections (i.e., control group).
- Increases in (i) the number of registered workers (full-time and part-time) and (ii) total working time (hours and days), recorded in the employment register, in the 'risky businesses' receiving *announced inspections* compared with equivalent 'risky businesses' not receiving announced inspections (i.e., control group).

The effectiveness of each intervention should be measured in terms of their revenue-to-cost ratios. For internal purposes (to make decisions on resource allocations), this requires first an approximate calculation of the cost of (a) an unannounced inspection, (b) an announced inspection, and (c) notification letters, and then to calculate (using the average national salary), the increase in state revenue in direct taxes and social insurance contributions of the increase in the (i) number of (full-time and part-time) registered workers and (ii) total working hours/days for each type of intervention.

The fourth step is that based on these results, resource allocation decisions are made on how many (i) notification letters (of what variety), (ii) announced inspections and (iii) unannounced inspections will be conducted in the next planning year.

Fifth, these decisions are then converted into performance targets for the national, regional and local levels. Based on the outcomes, (1) increase by 50 % the number of businesses approached using the most effective tool, by 25 % the second most effective tool, and decrease by 50 % the number of businesses approached using the last effective tool and by 25 % for the second least effective tool, and (2) re-evaluate the resultant outcomes at the end of 2024.

Sixth, and finally, there is annual evaluation to monitor the ongoing effectiveness of each type of intervention, to reallocate resources by setting future performance targets for each type of intervention.

Performance measurement framework at regional/local office level and individual level

Annual performance targets are set as stated in the 'fourth step' above.



3.7 Implementing or improving the ease and benefits of engaging in declared work

In the 2022 Platform study of progress towards a holistic approach, compared with the above deterrent tools, fewer authorities use supply-side measures to stimulate suppliers to operate declared and demand-side measures to encourage consumers to purchase declared goods and services. The most common supply-side measures are to simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication) (83 % of the authorities), initiatives to ease transition from unemployment into self-employment (67 % of the authorities) and “formalisation” support services to existing businesses (63 % of the authorities). The most common demand-side measure is targeted direct tax incentives (e.g., income tax reduction/subsidy). All other supply- and demand-side incentives are less commonly used.

8 % of authorities responding perceive themselves as offering a limited range of incentives to operate in the declared economy, 75 % neither a limited nor a wide range, and 17 % a wide range of incentives. None of the authorities perceive a very wide range of policies being used by their authority. 67 % of authorities perceive there to be room for improvement on the range of incentive measures used.

At least ten types of supply-side policy tool can be implemented, or their effectiveness improved, that make it easier and beneficial to engage in declared work, namely:

1. Simplifications of the formal regulations.
2. Advisory inspections.
3. Society-wide amnesties.
4. Voluntary disclosure.
5. Direct tax and social security incentives.
6. Targeted indirect tax incentives.
7. Formalisation support to start-ups.
8. Formalisation support and advice to existing businesses.
9. Help with record-keeping.
10. Compliance lists.

In addition, at least six types of demand-side policy tool can be implemented, or their effectiveness improved, that make it easier and beneficial to engage in declared work, namely:

1. Direct tax incentives.
2. Service vouchers.
3. Indirect tax incentives.
4. Incentivising electronic payment systems and deterring cash payments.
5. Incentives for customers to request receipts.
6. Social labelling initiatives.

Below, an example is provided of a KPI to improve the effectiveness of formalisation support and advice provided to existing and new businesses.

KPI 7.1 The effectiveness of any one existing or new tool, to make declared work easier and more beneficial in the next 12 months

Example KPI: To develop and improve support and advice systems to make it easier for employers to comply with labour law

Strategic Action

Not all non-compliance is intentional. Some is unintentional due to not being aware of what is required to comply with labour law. This strategic action seeks to provide access to support and advice (e.g., by using multitude of modes of communication, including online templates, etc.) to make it easier for employers to access information about labour law and to comply.

Performance Measure

The number of formalisation support and advice consultations undertaken each year, the success of which is measured by (i) the level of employer satisfaction and (ii) the proportion of calls that are answered solely using scripted language responses.

Targets

- X,000 formalisation support and advice consultations undertaken (2022 is used as the benchmark), whose success is measured by:
 - a 90 % level of employer satisfaction (by asking at the end of the phone call whether they have received a useful and satisfactory answer to their query or not)
 - more than 90 % of calls are satisfactorily answered using the scripted language responses

Accountable business units

Staff responsible for formalisation advice and support helpline

Initiatives needed to improve performance and achieve the targets

To improve the effectiveness of the call centre, the objective is to ensure that staff have access to scripted language responses to all frequently asked questions (FAQs). If more than 10 % of calls are referred elsewhere beyond the scripted language responses, then the first step required is to identify the topics where this is occurring and to improve the scripted language responses. The second step is to produce scripted language responses to these additional topics.

Performance measurement framework at regional/local office level and individual level

The above targets should be translated into individual level targets for the personnel staffing the helpline for formalisation advice and support.

3.8 Implementing or improving education and awareness raising

In the 2022 Platform study of progress towards a holistic approach, the most common measures used are campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared, and public



information on the work and achievements of the authorities (88 % of the authorities) and measures to improve labour, tax and/or social security law knowledge (83 % of the authorities). All other initiatives for fostering commitment to operate declared are less commonly used. 42 % of authorities perceive themselves as offering a limited or very limited range of measures to foster commitment to operating on a declared basis, 42 % neither a limited nor a wide range, and 16 % a wide or very wide range of measures to foster commitment. 58 % of enforcement authorities perceive there to be room for improvement on the range of measures used to foster commitment to operating on a declared basis.

Below, an example is provided of a KPI to measure the effectiveness of a campaign to raise awareness among young people of the benefits of declared work.

KPI 8.1 The effectiveness of any one existing or new tool, to educate and raise awareness about the benefits of declared work and the importance of labour law compliance in the next 12 months

Example: Evaluating the effectiveness of an awareness raising campaign of the benefits of declared work among young people

Strategic Action

To raise awareness among young people of the benefits of declared work. One initiative is to use an influencer to make a social media video on “why working fully declared is better” for celebrity endorsement of this issue with the target group chosen (e.g., young people). This video will then launch an annual competition for young people to make their own video on the subject of “why working fully declared is better”. A prize could be awarded for the best 1-minute social media video on this subject. This would encourage young people to consider for themselves why it is important to work fully declared, rather than be told why they should do so. Such reflexive self-learning is potentially effective at embedding knowledge and understanding and changing behaviour. An additional option is to integrate this competition into the civic education curriculum in schools. If this is done, schoolchildren can produce such videos in their civic education classes.

Performance Measure

Number actively engaging with the campaign, measured by:

- reach and impressions: total number of times users were exposed to the influencer video on a website and/or social platform.
- engagement: the number of interactions (likes, dislikes, shares, comments, retweets, etc.)
- conversions: number responding to the call-to-action, namely making their own social media video.

This can be gathered both at an individual level (such as Google Analytics, Facebook Analytics, Twitter Analytics and YouTube Analytics) and across platforms, including Brandwatch Analytics, Crimson Hexagon or Talkwalker.

Targets

2023 – used as benchmark to establish:

- Reach and impression numbers
- Engagement numbers
- Conversion numbers

2024 – 10 % increase in relevant metrics

2025 – 10 % increase in relevant metrics on previous year

2026 – 10 % increase in relevant metrics on previous year

Accountable business units



Communications personnel in labour inspectorate

Initiatives needed to improve effectiveness and achieve the targets

For good practice on the use of celebrity endorsement, and the selection of celebrities relevant to the target group (e.g., vloggers for younger people), see the #Aktrapias campaign in Latvia, at: <https://ec.europa.eu/social/main.jsp?catId=1299&intPageId=4875&langId=en>. A staff exchange visit via the European Platform Tackling Undeclared Work could be organised in this regard.

Performance measurement framework at regional/local office level and individual level

Personnel responsible for communications should have the above performance targets.

3.9 Modernising the labour inspectorate

Developing a modern, professional, and responsive authority is necessary to build trust in government. To improve the trust in government of citizens, workers, employers and businesses and prevent participation in undeclared work, it is necessary to modernise formal institutions by making them more customer-friendly and approachable, fair, and just. Businesses, employers, workers, and citizens often do not adhere to the formal rules, and there is a breakdown in the social contract between government and its citizens, workers, employers and businesses, when they do not feel that this is the case. A modernisation of the labour inspectorate is a way forward. At least three institutional reforms can be pursued:¹⁰

1. Procedural justice can be improved, meaning that businesses, employers, workers, and citizens are treated in an impartial, respectful, and responsible way, thus marking a paradigm shift in the culture of authorities from a 'cops and robbers' mentality to a service-oriented perspective.
2. Procedural fairness can be enhanced, meaning that businesses, employers, workers, and citizens view the social contributions they make as fair compared with what others pay.
3. Redistributive justice can be improved, meaning that businesses, employers, workers, and citizens view the public goods and services received as appropriate for the social contributions made.

For labour inspectorates, it is procedural justice that can be most directly influenced, ensuring that businesses, employers, workers, and citizens are treated in an impartial, respectful, and responsible way. In many authorities, this requires an ongoing shift in organisational culture away from a 'cops and robbers' mentality among inspectors and towards a more a service-oriented perspective. In traditional inspectorates, only deterrence is used, but a modern inspectorate uses the whole range of policy tools varying from prevention and persuasion to deterrence depending on the circumstances. Inspectors must be trained in the application of these other tools because in the past they only used and applied deterrence measures.

Below, an example is provided of a KPI to measure the effectiveness of the provision of training within the inspectorate to shift inspectors' attitudes towards a more service-oriented perspective.

KPI 9.1 The effectiveness of any one existing or new tool, to modernise the labour inspectorate in the next 12 months

¹⁰ See also OECD publication for best principles of modern inspectorates "Regulatory Enforcement and Inspections" https://read.oecd-ilibrary.org/governance/regulatory-enforcement-and-inspections_9789264208117-en#page1



Example: Training to implement a more service-oriented attitude among inspectors

Strategic Action

A modern labour inspectorate is based on a customer-friendly service-oriented approach. This requires different human resource capabilities and capacities than a traditional labour inspectorate based on a deterrence approach.

Performance Measure

- KPI 1: Number of staff engaging in training events on the implementation of a more service-oriented approach
- KPI 2: Staff satisfaction with the training provided on a scale 1 to 4
- KPI 3: less complaints against inspectors

Targets

KPI 1

- 2023 – benchmark
- 2024 – 10 % increase compared with 2023.
- 2025 – 20 % increase compared with 2023.

KPI 2

- 2023 – 3
- 2024 – 3.1
- 2025 – 3.2

KPI 3

- 2023 – benchmark
- 2024 – 10 % reduction compared with 2023.
- 2025 – 20 % reduction compared with 2023.

Accountable business units

Senior management team of labour inspectorate

Initiatives needed to improve performance and achieve the targets

The first step is to conduct a training needs analysis of the training needs of inspectors. The second step is to analyse this to identify inspectorate-wide training needs. The third step is to produce a 'human resources strategic action plan' for the inspectorate, including new human resources required, and a 'training plan' for existing inspectors. The fourth step is to design and implement training events to meet these training needs, The fifth step is to evaluate the training.

Performance measurement framework at regional/local office level and individual level

Same as national-level targets

In many tax authorities, there is a recognition that traditional performance indicators do not contribute to, and even hinder, the development of trust between businesses, employers, workers and citizens and the tax authority. A



traditional performance indicator, such as the number of audits concluded and additional revenues collected, can send out the wrong signal if it is assumed that 'they do audits/inspections to raise revenue versus they do audits/inspections to tackle unfair competition'. There is also recognition of the need for other performance indicators reflecting a more service-oriented approach. One outcome has been attempts to measure the performance of their authorities in terms of building trust. Customers' trust can take years to earn and only seconds to lose.

Performance management was originally founded on the philosophy of 'new public management', which is the opposite of a trust-based approach. Van de Walle and Six (2014) argue that distrust is often the guiding principle in the design and operation of public services, pointing to the fact that public officials often must give account of their work through elaborate accountability processes. On the business, employer, worker, and citizen side, they must prove they are not cheating on benefits or taxes. As such, shifting performance management in a trust-based direction seems to run against the direction of change. However, this has been happening across many authorities.

In **Lithuania**, in the Strategic Activity Plan for years 2020-2022, the Lithuanian Tax Administration has a KPI of the % of respondents (natural and legal persons) who believe that tax evasion is justified based on an annual survey of taxpayers. The target for this indicator in 2020 was 17.3 %. The tax authority also conducts surveys on taxpayer trust in the services provided. Comparing the 2017 and 2018 surveys, the general indicator of trust in the Lithuanian Tax Administration was 74.2 % in 2018 compared with 65.4 % in 2017, while the indicator from large taxpayers increased from 59 % in 2017 to 64.9 % in 2018 and for the other companies from 68 % to 76.8 %. Using these KPIs, and analysing the surveys, the tax administration receives insights into what service improvements and new initiatives are needed. See: <https://trustandcompliance.com/country-examples/Key-performance-indicator-and-trust.html>

In **Sweden**, the Swedish Tax Agency has recognised that two decades ago, their objectives were to a large extent focused on how many enforcement activities they undertook and how much money was collected. With a shift in their strategy away from deterrence and towards strengthening voluntary compliance, there was a realisation that there was a need to change their goals, objectives, and performance measures. For example, recognising that taxpayers disliked uncertainty about outcomes and that this reduced trust and by extension voluntary compliance, the tax agency realised that transparency was important. Instead of using traditional indicators and goals for response times as 'answer within X minutes', they now use 'answer within reasonable time'. Reasonable time varies for taxpayers, and they try to allocate resources to meet and foresee taxpayer's needs from a taxpayer's perspective. They believe there is a risk of disappointment in targeting a fixed time. Even though the purpose of aiming at response time is an important indicator and a way to build trust, the result may turn out to be the opposite. They also use knowledge and insights from polls and studies as a base for performance indicators. Helpful attitude, respectful treatment and the use of plain language in communication are, among other indicators, used to measure staff performance. Conversations with taxpayers over the telephone are sometimes monitored by an internal coach or manager to provide feedback and improve staff performance. Similarly, the written language in different types of communication is regularly monitored and quality assured. They have learned that improving the use of clear and understandable oral and written language is an important factor in the perceived treatment and by extension trust. See: <https://trustandcompliance.com/country-examples/Taxpayers-perspective-influence-performance-management.html>

In **Austria**, target agreements are a major feature of the management philosophy of the Austrian Federal Ministry of Finance. They guarantee predictability of performance and resources in the Tax and Customs Administration and are therefore also a requirement for self-monitoring and financial control. Six strategic objectives are defined for the tax offices, customs offices and federal departments through core areas and performance goals: (i) development of customer relations to improve tax compliance; (ii) risk-oriented audit and control activity; (iii) timely and correct levy of taxes and duties; (iv) protection of society and economy, (v) employee support and (vi) organisational development. The target agreements are in line with the quality and performance standards defined



in the Charter of the Tax and Customs Administration for relationships between the administration and citizens, which are based on transparency, trust and cooperation. As a service-based administration, the Austrian Tax and Customs Administration also guarantees performance standards for businesses and citizens. See: <https://trustandcompliance.com/country-examples/Predictability-of-performance.html>

4.0 Case Study 1: Latvian State Labour Inspectorate

Key findings

- ▶ The Latvian State Labour Inspectorate has in recent years rethought many of its objectives and KPIs to shift away from deterring undeclared work and towards achieving the strategic goal of transforming undeclared work into declared work.
- ▶ It has developed KPIs to achieve this strategic goal in relation to improving the risk of detection, including developing data mining, matching and sharing (SO6), education and awareness raising (SO8) and modernising the labour inspectorate by improving human resource capacities, customer service and public relations (SO9).
- ▶ Analysing the current strategy and KPIs of the SLI against the holistic approach framework, the gap analysis revealed KPIs could be now similarly added in relation to: developing cross-government joined-up strategy (SO1); joining-up operations cross-government (SO2); improving cross-government data collection, sharing and analysis (SO3); improving social partner involvement (SO4); implementing more effective sanctions (SO5), and improving the ease and benefits of engaging in declared work (SO7) .
- ▶ For the SLI, reviewing its objectives and KPIs against this common assessment framework has enabled the identification of these gaps where KPIs are currently missing.

4.1 Aims and methodology

The aim of this case study of the Latvian State Labour Inspectorate (SLI) in Latvia is to display how the BSC method can be applied in practice and its implications for performance indicators used. Using a co-production approach whereby an expert has worked with the SLI to apply this method, the national expert has supported the SLI throughout the process of applying the method. The national expert worked with the SLI to:

- ▶ Analyse the current strategy and KPIs of the authority and analyse them against the holistic approach common assessment framework.
- ▶ Identify gaps and discuss the results of this 'gap analysis' in terms of missing performance indicators.
- ▶ Decide on any provisional new performance indicators that might be developed and co-develop them.
- ▶ Implement the six steps of the BSC method on existing and new performance indicators.
- ▶ Gather feedback from the SLI on the BSC method's usefulness and the transferability potential of the developed performance indicators, as well as the challenges faced in developing these KPIs and any tips or good practices on how these can be overcome.



4.2 Evolution of KPIs

The State Labour Inspectorate (SLI) in Latvia has made significant progress in the past five years in rethinking its strategic goals, objectives and KPIs to relate them to the holistic approach. Following a MAP visit in 2017, the SLI decided to pilot a change in their strategic goal from deterring undeclared work to transforming undeclared work into declared work, and to over time shift away from their strategic objectives and KPIs based on an 'old style' deterrence set of performance indicators to a 'modern' set of strategic objectives and indicators associated with many components of the holistic approach.

It was intended that these new strategic objectives and performance indicators would operate alongside the previous indicators in the first instance. During the Follow-Up Visit to the Mutual Assistance Project (MAP) twelve months later in 2018, many new performance indicators had started to be developed which would be piloted over the coming years. Here, just a few of the original suggestions made in 2018 by the SLI for performance indicators reflecting the strategic goal of transforming undeclared work into declared work and using the holistic approach are documented. This provides a flavour of the type of performance indicators that can be developed for a labour inspectorate pursuing a holistic approach towards undeclared work.

The new SLI working strategy 2018-2019 (with a vision towards 2020) was approved by the Minister of Welfare in March 2018. The strategy sets 3 priorities:

- ▶ A preventive and effective compliance ensuring process based on risk and situation analysis, promoting safe, healthy and legal working environment.
- ▶ Customer-oriented SLI services and consulting, increasing public awareness in the field of labour law and labour protection (OSH), promoting the formation of a preventive culture.
- ▶ Development of professional competences and working methods of the SLI, ensuring a modern and effective compliance ensuring system that is adapted to changes in the working environment.

Examples of the KPIs included in the 2018 working strategy are:

- ▶ **Transforming undeclared work into declared work strategic goal:** As a result of SLI inspections and consultations, the number of signed contracts and registered employees has increased. KPI: The number of labour relations regularisations (2018 – benchmark; 2019 -10 % increase compared to 2018; 2020 – 15 % increase compared to 2018).
- ▶ **Transforming undeclared work into declared work strategic goal:** Companies are eliminating most violations detected by the SLI. KPI: the proportion of violations eliminated by companies against the violations detected by SLI (2018 – 75 %; 2019 – 76 %; 2020 – 77 %).
- ▶ **Improve the means and instruments that provide better proof of undeclared work to secure higher rates of successful labour violation court rulings:** Documents produced, and decisions made by SLI are high quality. KPI 1: After appealing to SLI director increase of number of decisions on administrative decisions and actual action left in force compared to 2017 (2018 – 1 % increase; 2019 – 2 % increase; 2020 – 3 % increase). KPI 2: Increased number of favourable court rulings on appealed decisions over administrative decisions and actual action left in force by SLI director compared to 2017 (2018 – 1 % increase; 2019 – 2 % increase; 2020 – 3 % increase).
- ▶ **Effective workplace inspections:** Specialisation of inspectors. KPI: number of thematic inspections done by specialised inspectors (2018 – at least 10 % of thematic inspections; 2019 - at least 15 %; 2020 – at least 20 %).

- ▶ **Risk analysis:** A business selection system on the base of data analysis and risk assessments has been created. KPI: Number of “risky” companies selected (2018 –structure responsible for data analyses developed within SLI; 2019 – 500; 2020- 800 companies selected for undeclared work inspections based on data analyses).
- ▶ **Advice and support to make declared work easier:** ‘Risky’ companies receive a SLI consultation before getting a SLI visit and have an opportunity to correct potential unlawful behaviours. KPI: Number of ‘risky’ companies consulted (2018 – according to SLI capacity and is set as benchmark; 2019 – 10 % increase compared to 2018; 2020 – 20 % increase compared to 2018.)
- ▶ **Education and advice centre to make declared work easier** strategic action: new forms of advisory services for employers are introduced and used. KPI 1: Number of consultations given to newly created companies (2018 – model of the consultation has been created and SLI staff are trained; 2019 – benchmark; 2020 – 10 % increase compared to 2019). KPI 2: The number of pre-screened companies from hazardous sectors which receive preliminary advise from the SLI (2018 – 680; 2019 – 1100; 2020 – 1100).
- ▶ **Modernise SLI through provision of e-services:** Increase of the electronic services provided by SLI used by clients. KPI: Proportion of the requested electronic services compared to the number of total SLI services provided (2018 – 5 %; 2019 – 10 %; 2020 – 15 %).
- ▶ **Modernise SLI through digitalising internal processes:** Paper document flow in SLI is decreased in favour of digitalisation. KPI: More procedures to increase digitalisation of documents as compared to 2017 (2018 – 1, 2019 – 2; 2020 – 3).
- ▶ **Modernise SLI by changing organisational culture:** Customer-oriented services, consulting and observance of the principle ‘Consult first’ in SLI work is ensured. KPI 1: Client satisfaction with SLI services (2018 – client satisfaction system is created, and benchmark done; 2019 – 5 % increase compared to 2018; 2020 – 10 % increase to 2018). KPI 2: Index of ‘Consult first’ (2018 – benchmark; 2019 – 5 % increase compared to 2018; 2020 – 10 % increase compared to 2018).
- ▶ **Modernise SLI by training staff:** SLI staff training plan has been developed and everyone gets training on topics that they need. KPI 1: Number of trainings that fits to the SLI staff needs provided (2018- benchmark; 2019 – 10 % increase compared to 2018; 2020 – 20 % increase compared to 2018). KPI 2: SLI staff satisfaction with the training provided on a scale from 0 to 4 (2018 – 3; 2019 – no survey; 2020 – 3,1).
- ▶ **Modernise SLI by measuring improvements in staff satisfaction:** SLI staff satisfaction with the executed work increased. KPI: SLI staff satisfaction rate about overall work in SLI in a scale from 0 to 10 (2018 – 8; 2019 – no survey; 2020 – 8.2).

The intention in choosing this case study was to discuss the progress that had been made in implementing these new performance indicators, the challenges faced and how they had been overcome. In addition, since 2017, the Platform has further defined what constitutes a holistic approach towards tackling undeclared work.¹¹ It was therefore felt to be an opportune time to consider through a gap analysis whether all the components of a holistic approach were present in the strategic objectives and performance indicators of the SLI, and whether additional performance indicators needed to be introduced.

¹¹ Williams, C.C. (2020). [Holistic approach towards undeclared work and national strategies](#). European Platform tackling undeclared work



4.3 Current KPIs in the framework of the holistic approach

Some of the above KPIs included in the 2018 working strategy have been developed and implemented. The KPIs currently used by the Latvian SLI are presented below.

KPI 1 – Company selection and control process based on data analysis and risks

Strategic Action

The use of data and risk analysis in selecting companies for inspections, thus focusing preventive controls in business sectors and companies with higher risks of undeclared work, improving efficiency of detection and transformation of undeclared and under-declared work into declared work.

Performance Measure

Increase of total number of risky companies inspected

Targets

2020 – 514 risk companies inspected, 2021 – 800 companies inspected, 2022 – 1000 companies inspected, 2023 – 1200 companies inspected.

Accountable business units

Labour Legal Relations Unit, Regional State Labour Inspectorates

Initiatives needed to improve performance and achieve the targets

1. To make a restructuring of the headquarters units, creating a Data and Risk Analysis Unit.
2. To be more proactive in data and risk analysis, selecting not only risk sectors, but also going into deeper analysis in selecting specific companies within each risk sector.
3. Develop new information system and within that – develop specific risk analysis tool, that help to run algorithms and select more risky companies for inspections.
4. Further develop cooperation with the State Revenue Service, ensuring competence development for risk analysis using available company data from the SRS.

Performance measurement framework at regional/local office level and individual level

Each regional SLI will carry out certain number of inspections in selected risk sectors/companies. Supervision and coordination of those target inspections will be performed by the Headquarters units.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Yes, there has been some challenges in finding the correct approach to this KPI. First - limited data is available for SLI to select risk sectors and companies. Some data from SRS are used in combination with those obtained by SLI itself. For more effective target selection, access to much broader data is needed which currently can be asked to SRS by special request. It is time consuming and requires extra effort on both sides.

Second, analytical competences within SLI need to be strengthened to work with these data and know how to interpret them.



Third, it takes some convincing of the regional SLIs, who are used to work and selecting companies for inspection on their own, so some evidence-based trust building is required to convince them to move away from previous local methods towards ones based on data and risk analysis offered from the Headquarters. To move towards this, an internal group of Undeclared Work Coordinators has been established within the SLI, composed of Headquarters experts and best field inspectors for undeclared work. The director of SLI also takes a personal presence in these meetings to motivate and demonstrate high commitment to the cause.

KPI 2 – Undeclared work risk sectors and companies consulted and encouraged to ensure compliance prior to SLI control

Strategic Action

Informative letters and materials prepared and sent to companies in undeclared work risk sectors, informing of potential SLI control actions in the sector and asking to ensure fair and safe working conditions, including written labour contracts and declaration of workers.

Performance Measure

Number of consulted companies that are encouraged to voluntarily comply.

Targets

2021 – base measurement, 2022 – 5 % increase (compared with 2021), 2023 – 10 % increase (compared with 2021).

Accountable business units

Labour Legal Relations Unit, Labour Protection Unit.

Initiatives needed to improve performance and achieve the targets

1. Development of cooperation with other enforcement agencies and ensuring political back up when launching sector specific control activities to ensure politically and enforcement level coordinated controls over sensitive matters.
2. To improve cooperation with sectorial social partners ensuring their proper information and involvement in fight against undeclared work, which also limits negative reactions from the sectors.
3. Develop competencies in addressing risk sectors by information and encouragement letters aiming to ensure self-compliance prior to SLI inspections.

Performance measurement framework at regional/local office level and individual level

Headquarters units are primarily responsible for target sectors selection, coordination of inter-agency cooperation and developing materials and information letters for the sectors. Regional SLIs are the ones conducting inspections on site and cooperating with other enforcement agencies when doing joint inspections.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Competencies and capacity to work with sectors need to be strengthened, the plan to restructure Headquarters, creating a Data Analysis Unit will hopefully solve part of these challenges and clear responsibility to work with these sectors will help to introduce it as regular and smooth practice.

KPI 3 – Implemented specialisation of inspectors that improves quality of inspections

Strategic Action

Inspectors performing inspections in high undeclared work and health and safety risky companies receive specific training, improving their competencies and thus risk detection and prevention in their inspections.

Performance Measure

Percentage of inspections carried out by specialised inspectors.

Targets

2020 – 25 %, 2021 – 30 %, 2022 – 35 %, 2023 – 40 %.

Accountable business units

European Social Fund Unit, Cooperation and Development Unit, Regional SLI

Initiatives needed to improve performance and achieve the targets

1. Reorganisation of the Headquarters units, creating Competence Development Unit that will be coordinating all training and competence development plans for inspectors.
2. Joint register of all specialised inspectors created and updated accordingly.
3. Regional SLI heads are considering the knowledge and specialisation of inspectors when designating tasks for special thematic controls.
4. Elaboration of special mark which recognizes specialised inspectors doing specific tasks related to their specialisation and thus allowing to calculate and monitor the use of specialised inspectors in tasks and inspections where they are experts.

Performance measurement framework at regional/local office level and individual level

Competence Development Unit will be responsible for coordinating specialised training of inspectors and keeping the register up to date and providing its availability to regional SLIs. Heads of Regional SLI are responsible to consider the specialisation of inspectors and allocate inspections tasks accordingly.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Yes, currently there is no mark in information system on which inspector has been specialised in which sector, thus all calculations are manual and there is no unified record of specialised inspectors as no unit is directly responsible for it. Steps described in section 'Initiatives needed' will allow these challenges to be overcome.



KPI 4 – Implemented unified minimum requirements standard for on-site inspections

Strategic Action

Inspectors performing inspections on site use unified minimum requirements standard ensuring control of the compliance of the most essential labour legal relations and health and safety requirements.

Performance Measure

Improved inspection culture and implemented unified inspection standards for on-site inspections.

Targets

2020 – elaboration of new internal regulation for minimum inspection standard

2021 – approbation of new inspection standard

2022 – all inspectors apply unified inspection standards during on-site inspections

Accountable business units

Labour Legal Relations Unit, Labour Protection Unit, Regional SLI

Initiatives needed to improve performance and achieve the targets

1. Constant reminder/training on internal regulations and minimum standards of inspection to regional SLI
2. Recruitment of internal control expert (the post is vacant so far)
3. Follow up internal control on Regional SLI practices following approved minimum standards.
4. Feedback to Regional SLI and discussion on improvement of inspection practice.
5. Amendments of the minimum control standards if necessary.

Performance measurement framework at regional/local office level and individual level

Training, methodology update and information to be provided to Regional SLI by the responsible Headquarters Units. Regional SLI and every inspector is responsible to apply unified minimum standards when performing an inspection.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

The workload of inspectors and the partial controls done not on site (investigation of a complaint) are the main challenges to achieve a greater use of minimum inspection standards. Suggestions to change regulations that require inspection of workplaces for quite formal purpose have been discussed with the Ministry. Changing those regulations will free up capacities allowing to reduce quantitative number of inspections and focus more on quality elements of inspections.

KPI 5 – Increased number of concluded written labour contracts and declared workers as a result of SLI controls: increased efficiency of SLI controls



Strategic Action

Inspectors achieve that after their visit to the company, employers conclude labour contracts in written form and/(?)or register workers to the State Revenue Service.

Performance Measure

Percentage of regularised (or declared) labour relations.

Targets

At least 70 % of declared labour relations.

Accountable business units

Regional SLI

Initiatives needed to improve performance and achieve the targets

1. Competence development for inspectors, particularly for communication skill to convince employers of why legalisation of labour relations is the best way forward compared with receiving a full fine.
2. Regular reminder of this KPI value and everybody's responsibility for reaching this target.
3. Positive financial motivation for inspectors and Regional SLI for reaching this target.

Performance measurement framework at regional/local office level and individual level

Declaration/Regularisation of labour legal relations is primarily related with active and explanatory work done by Regional SLI inspectors.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Yes, there are. There is no direct tool for Regional SLI to influence employers to correct their violation other than offering a reduced fine and a lot of convincing communication, but even then, employers might stop the employment of undeclared worker rather than to declare him/her. This is particularly challenging for short term and seasonal work, where the employer does not count on a long-term contribution from the undeclared worker.

KPI 6 – Companies cease majority of undeclared work activities (labour legal relations, and health and safety violations) as discovered by the SLI

Strategic Action

Companies cease majority of undeclared work activities, including labour legal relations and health and safety violations, that have been discovered by the SLI. Companies provide a proof that such activities are no longer present by reporting to SLI and/ or SLI finds such evidence during in repeated inspection visit.

Performance Measure

Percentage of prevented violations of involvement in undeclared work as a result of SLI visits



Targets

At least 80 % of undeclared work activities that are discovered by SLI, are no longer implemented by companies

Accountable business units

Regional SLI

Initiatives needed to improve performance and achieve the targets

1. Reminders and follow up actions to check in violations have been prevented.
2. New tool in the information system where employers can easily report about prevented violations and inspectors can easily monitor them and be in regular contact to ensure employers do not forget about deadlines and obligation to prevent violations.

Performance measurement framework at regional/local office level and individual level

Each inspector has a responsibility to control how the issued improvement notices have been followed and violations prevented and mark this in IS. The KPI is one of the targets that Regional SLI must report upon and depending on their performance this influences annual evaluation of Regional SLI.

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Yes, there is a need to monitor correct data input into IS as during the year, Regional SLIs struggle to perform the necessary follow up activities and this KPI is under the expected target line up until last months of the year.

KPI 7 – Elaborated and implemented new consultations for new enterprises

Strategic Action

Special consultation form developed and ensured for newly established companies to ensure that they know their obligations in the field of labour legal relations and occupational health and safety thus preventing potential violations and mistakes that can lead to also undeclared work practices.

Performance Measure

Percentage of newly established companies that are satisfied with the consultation of the SLI.

Targets

2022 is year for a base measurement when satisfaction survey tool is elaborated and first satisfaction rate set.
2023 – ensure 5 % increase in employers satisfaction rate with consultations received from SLI.

Accountable business units

Clients Support Unit

Initiatives needed to improve performance and achieve the targets



1. Development of digital tool/system to survey the satisfaction of clients.
2. Cooperation with Company Register and SRS to spread materials and information about consultations available for newly established companies.

Performance measurement framework at regional/local office level and individual level

Clients

REFLECTIONS OF SLI: Have there been any challenges in terms of implementing this KPI? If so, how were they overcome?

Yes, the current webpage is limited in technological options to introduce such evaluation tools.

Table 2 presents these above current **key performance indicators (KPIs)** adopted by the Latvian SLI and places them within the framework of the holistic approach.

Table 2. Latvia SLI KPIs put into holistic approach framework

NO.	STRATEGIC OBJECTIVES [SOS] AND KEY PERFORMANCE INDICATORS [KPIs]
SO 1.	IMPLEMENT OR IMPROVE COOPERATION ON STRATEGY WITH OTHER BODIES
KPI	
SO 2.	IMPLEMENT OR IMPROVE CROSS-GOVERNMENT AND CROSS-BORDER JOINT AND CONCERTED OPERATIONS
KPI	
SO 3.	IMPLEMENT OR IMPROVE CROSS-GOVERNMENT DATA COLLECTION, SHARING AND ANALYSIS
KPI	
SO 4.	IMPLEMENT OR IMPROVE COOPERATION WITH SOCIAL PARTNERS
KPI	
SO 5.	IMPLEMENT OR IMPROVE THE EFFECTIVENESS OF SANCTION TOOLS
KPI	
SO 6.	IMPROVE THE RISK OF DETECTION, INCLUDING DEVELOPING DATA MINING, MATCHING AND SHARING
KPI 6.1	KPI 1 – Company selection and control process based on data analysis and risks (FIN-1)
KPI 6.2	KPI 5 – Increased number of concluded written labour agreements and declared workers due to SLI controls (FIN-2)



KPI 6.3	KPI 6 – Companies prevent absolute majority of labour legal relations and health and safety violations discovered by the SLI (CON-1)
SO 7.	IMPROVE THE EASE AND BENEFITS OF ENGAGING IN DECLARED WORK
KPI	
SO 8.	IMPROVE EDUCATION AND AWARENESS RAISING
KPI 8.1	KPI2 – Undeclared work risk sectors and companies consulted and encouraged to ensure compliance prior to SLI control (CON-2)
KPI 8.2	KPI7 – Elaborated and implemented new consultations for new enterprises (CON-3)
SO 9.	MODERNISE THE LABOUR INSPECTORATE BY IMPROVING HUMAN RESOURCE CAPACITIES, CUSTOMER SERVICE AND PUBLIC RELATIONS
KPI 9.1	KPI 3 – Implemented specialisation of inspectors that improves quality of inspections (INT-1)
KPI 9.2	KPI 4 – Implemented unified minimum requirements standard for on-site inspections (INT-2)

4.4 Changes made to KPIs

By putting the existing KPIs into the holistic framework above, a gap analysis was possible, identifying missing topics on which there are no performance indicators. This gap analysis produced the following findings.

First, there are no KPIs directly currently addressing SO 1, SO 2, SO 3, SO 4 and SO 6. To address these issues, some new KPIs have been developed. Some further challenges with regards to developing new KPIs are further discussed in the Section 6.

Table 3. New KPIs developed by Latvia SLI

NEW KPI 1 – Joined-up operations with other enforcement agencies
Strategic Action
Plan a certain share of all inspections which are joint inspections with other enforcement agencies.
Performance Measure
The share of all inspections which are joint inspections with other enforcement agencies.
Targets
In years 2023 – 2024 the share of inspections done with other enforcement agencies will be set as a benchmark and depending on that score a further increase of that share or keeping the share at certain level could become a new KPI to measure.
Accountable business units



Labour Legal Relations Unit, in future after reorganisation – Data Analysis Unit.

Initiatives needed to improve performance and achieve the targets

1. Elaborate methodology of joint up inspections with State Border Guard
2. Send group of inspectors to experience exchange visit to Lithuania, where similar joined up inspection groups are established involving SLI and other enforcement agencies.
3. Based on practices developed with State Border Guard and experiences learned, approach other enforcement agencies to encourage involvement in joined up operations.
4. Formalisation of cooperation signing necessary cooperation agreements with other enforcement agencies.
5. Negotiating possible joint KPI with other enforcement agencies and trying to include them in strategic documents thus encouraging and making joint operations beneficial for all involved parties.

Performance measurement framework at regional/local office level and individual level

Working group consisting of Labour Legal Relations Unit expert and representatives from Regional SLI will work together with SBG to develop methodology of joint inspections. Management and headquarter units will deal with formal negotiations with other enforcement agencies, but specific number of joint inspections will be carried out by Regional SLI.

REFLECTIONS OF SLI: What challenges, if any, do you foresee in terms of implementing this KPI? And how will you overcome these?

Formalization of cooperation with signed agreements could be very time consuming, ensuring prior ministerial support is essential as it is a good pilot example to sell the case. Finding common understanding of necessity to do joint inspections very much depends on all involved parties having similar or even joint KPI, so it is not just good relations between agencies, but these joint up operations are beneficial for reaching strategic goals and KPI of all involved institutions.

NEW KPI 2 – Introduction of data collection, sharing and analysis practice before joined-up operations and selecting targets for joint inspections

Strategic Action

Establish a practice where targets for joint inspections are selected jointly by involved enforcement agencies after exchange and analysis of data available from each enforcement agency, including SLI.

Performance Measure

Practice introduced.

Targets

Regular meetings/exchange of information/data when planning joint inspections with other enforcement agencies

Accountable business units

Labour Legal Relations Unit, Labour Protection Unit, Cooperation and Development Unit, Legal Unit, Regional SLI



Initiatives needed to improve performance and achieve the targets

1. Cooperation on data collection/sharing/analysis needs to be formalised concluding new cooperation agreements or revising existing ones.
2. Regular meetings/exchange of information/data practices when planning and selecting targets for joint up inspections with other enforcement agencies.

Performance measurement framework at regional/local office level and individual level

The legal formalization of cooperation regarding data collection/sharing/analysis, concluding new or revising existing agreements will be competence and task for SLI headquarters units, whereas practical meetings and exchanging data, selecting targets for joint inspections will be task for Regional SLI.

REFLECTIONS OF SLI: What challenges, if any, do you foresee in terms of implementing this KPI? And how will you overcome these?

Formalization of cooperation with signed agreements could be very time consuming, ensuring prior ministerial support is essential as it is a good pilot example to sell the case. Finding common understanding of necessity to share and analyse data that are needed for joint inspections and demonstrating benefit of such data collection and exchange is crucial. If information exchange will be planned via IS/data base connections, this might require extra funding and technical works to develop such connection.

NEW KPI 3 – Participation in joint meetings/events with social partners promoting fair working conditions and transforming undeclared work into declared work

Strategic Action

To multiply the effect of the message about fair working conditions and transforming undeclared work into declared work, joint meeting/events with social partners need to be organized where SLI can be initiator or participant of the joint meeting/event.

Performance Measure

Number of annual joint meetings/events with social partners, promoting messages of fair working conditions and transformation of undeclared work into declared work.

Targets

At least 2 annual meetings/events done jointly with social partners promoting messages of fair working conditions and transformation of undeclared work into declared work.

Accountable business units

Labour Legal Relations Unit, Labour Protection Unit, Cooperation and Development Unit

Initiatives needed to improve performance and achieve the targets

1. Regular meetings with social partners, discussing plans for future events where such joint efforts, promoting fair working conditions and transformation of undeclared work into declared work can be included.
2. Inviting social partners in SLI organised events regarding fair working conditions and undeclared work.
3. Taking part in social partner meetings/events regarding fair working conditions and undeclared work.

Performance measurement framework at regional/local office level and individual level



Cooperation with social partner organisations is responsibility of SLI management and headquarters units and if such joint events/meetings take place, it will usually be SLI management representative or representative of the headquarters units who will take part in such a meeting/event. However, if regional level events are organized by social partners or Regional SLI, representatives of the Regional SLI might be the one taking part in these meetings/events.

REFLECTIONS OF SLI: What challenges, if any, do you foresee in terms of implementing this KPI? And how will you overcome these?

One of potential challenges can be funding for events if those are not virtual events, then SLI has no funding foreseen for such events and it is difficult to say if social partners will have such funds in future which they will be dedicated to the topics described above. In the worst-case scenario, if after the meetings with social partners it will be clear that there are no events planned with appropriate funding, more local meetings with social partners and their organisation members can be organised, also using possibility to gather more participants if the meeting is virtual one and at least in this format, discuss issues related with fair working conditions and undeclared work.

NEW KPI 4 – Establishment of electronic Posting IS providing law abiding companies an easy way to submit notification regarding posted workers

Strategic Action

Develop electronic IS/portal for submitting notifications regarding posted workers to Latvia, ensure that IS/portal is accessible also to State Border Guard, but mainly - providing law abiding companies an easy way to submit notification regarding posted workers. Moreover, companies in Latvia, receiving posted workers, will have a chance to verify if they are posted in Latvia legally and thus avoiding undeclared work to be used in their premises/objects and not risking their reputation.

Performance Measure

Percentage of posting declarations received annually using this new Posting IS.

Targets

Year 2023 could become a base measurement and year for popularisation of this new Posting IS, and following the results of year 2023, targets for percentages of posting declarations received via new electronic IS/portal compared to all posting declarations received might become a new KPI for SLI.

Accountable business units

Labour Legal Relations Unit, Financial and administrative Unit

Initiatives needed to improve performance and achieve the targets

1. Development of new electronic Posting IS/portal
2. Promotion of this new electronic Posting IS/portal, also when receiving posting declarations via e-mail.
3. Consumer survey regarding use of electronic Posting IS/portal, things to be improved
4. Improvements of electronic Posting IS/portal to meet consumer needs and make it even more consumer friendly, fast and simple.

Performance measurement framework at regional/local office level and individual level

The system content and cooperation with developers from IT company lies within responsibility of SLI headquarters units.

REFLECTIONS OF SLI: What challenges, if any, do you foresee in terms of implementing this KPI? And how will you overcome these?

Since there is no legally binding rule yet to persuade companies to use this new electronic Posting IS/portal, there will be transition period when a lot of information, explanation, promotion and encouragement to use electronic Posting IS/portal instead of other means will be needed to increase the percentage of notifications received via electronic Posting IS/portal. There is also no legal requirement for receiving companies in Latvia to verify if their partner – employer of posted workers have fulfilled the legal obligation to notify state authorities about posted workers, but the system will give a chance to receive such information also for the receiving company and when necessary – demand full version of submitted notification to their partner – employer of posted workers. If there will be huge struggles with employers of posted workers to persuade them use the electronic IS/portal or no interest of receiving companies to verify if posted workers have been officially declared to SLI, law amendments might be needed to secure these much-needed changes to minimize risks of undeclared work of posted workers.

Table 4. Existing and new SLI KPIs put into the holistic approach framework

No.	STRATEGIC OBJECTIVES [SOs] AND KEY PERFORMANCE INDICATORS [KPIs]
SO 1.	IMPLEMENT OR IMPROVE COOPERATION ON STRATEGY WITH OTHER BODIES
KPI 1.1	This strategic objective is outside of SLI direct influence and hence the SLI cannot set it as direct KPI for itself. Moreover, there is already the Shadow Economy Combatting Plan elaborated and coordinated by the Ministry of Finance and contributed by all other corresponding ministries and enforcement agencies, involved in combatting of shadow economy, among all – also SLI with its competence regarding undeclared work. With the Shadow Economy Combatting Plan in place which covers also issues of undeclared work, this KPI is already being achieved at national level.
SO 2.	IMPLEMENT OR IMPROVE CROSS-GOVERNMENT AND CROSS-BORDER JOINT AND CONCERTED OPERATIONS
KPI 2.1	N-KPI 1 – Joined-up operations with other enforcement agencies
SO 3.	IMPLEMENT OR IMPROVE CROSS-GOVERNMENT COOPERATION ON DATA COLLECTION, SHARING AND ANALYSIS
KPI 3.1	N-KPI 2 – Introduction of data collection, sharing and analysis practice before joint-up operations and selecting targets for joint inspections
SO 4.	IMPLEMENT OR IMPROVE COOPERATION WITH SOCIAL PARTNERS
KPI 4.1	N-KPI 3 - Participation in joint meetings/events with social partners promoting fair working conditions and transforming undeclared work into declared work
SO 5.	IMPLEMENT OR IMPROVE THE EFFECTIVENESS OF SANCTION TOOLS
KPI 5.1	KPI 6 – Companies prevent absolute majority of labour legal relations and health and safety violations discovered by the SLI
SO 6.	IMPLEMENT OR IMPROVE THE EFFECTIVENESS OF TOOLS THAT IMPROVE THE RISK OF DETECTION
KPI 6.1	KPI 1 – Company selection and control process based on data analysis and risks (FIN-1)

KPI 6.2	KPI 5 – Increased number of concluded written labour agreements and declared workers due to SLI controls
SO 7.	IMPROVE THE EASE AND BENEFITS OF PARTICIPATING IN DECLARED WORK [SUPPLY- AND DEMAND-SIDE INCENTIVES]
KPI 7.1	N-KPI 4 – Establishment of electronic Posting IS providing law abiding companies an easy way to submit notification regarding posted workers
SO 8.	DEVELOP AND IMPROVE EDUCATION AND AWARENESS RAISING
KPI 8.1	KPI2 – Undeclared work risk sectors and companies consulted and encouraged to ensure compliance prior to SLI control (CON-2)
KPI 8.2	KPI7 – Elaborated and implemented new consultations for new enterprises (CON-3)
SO 9.	MODERNISE THE LABOUR INSPECTORATE BY IMPROVING HUMAN RESOURCE CAPABILITIES, CUSTOMER SERVICE AND PUBLIC RELATIONS
KPI 9.1	KPI 3 – Implemented specialisation of inspectors that improves quality of inspections (INT-1)
KPI 9.2	KPI 4 – Implemented unified minimum requirements standard for on-site inspections (INT-2)

5.0 Case Study 2: Social Information and Investigation Service (SIOD), Belgium

Key findings

The Social Information and Investigation Service (SIOD) in Belgium has in recent years made significant improvements in terms of KPIs and monitoring. The organisation has rethought many of its objectives and KPIs to shift away from deterring undeclared work and towards achieving the strategic goal of transforming undeclared work into declared work with the whole social inspection ecosystem in Belgium.

To tackle social dumping, one of the major priorities in the battle against social fraud, SIOD has introduced a programmatic approach, which is also incorporated in the strategic plan. The programmatic approach for social dumping implies that the actions (and related KPIs) to combat social dumping are more interlinked and connected with each other. This is facilitated by the program leader, SIOD, who – due to its coordinating role - has an umbrella view on the implementation of the actions and KPIs. This programmatic approach not only enhances the holistic approach, but also enables cross-fertilization between the inspectorate services.

The SIOD Action Plan for the fight against social fraud 2022 contains 100 KPIs. For 98 of these 100 KPIs, it was possible to map them in the framework of the holistic approach. Of the 98 KPIs that were mapped to the framework of the holistic model, most (29 in total) were mapped to Strategic Objective 6, “Improve the risk of detection, including developing data mining, matching and sharing”. The least amount of KPIs (2 in total) was allocated to Strategic Objective 9, “Modernise the labour inspectorate by improving human resource capacities, customer service and public relations”.

To a large extent, the KPIs taken up in the SIOD Action Plan 2022 focus on collaboration between different government agencies. This is no surprise given the organisation of the landscape of social inspection entities in Belgium and the umbrella position of SIOD in that landscape. The strategic framework that encompasses these KPIs is drafted separately, by the government but prepared by SIOD, for a time span of 4 years. This



constellation however also entails that certain aspects that could be relevant in the context of the framework of the holistic approach are not within the mandate of SIOD.

5.1 Aims and methodology

The aim of this case study with the Social Information and Investigation Service (SIOD) in Belgium is to display how the BSC method can be applied in practice and its implications for performance indicators and measurements used. Using a co-production approach whereby an expert has worked with SIOD to apply this method, the national expert has supported SIOD throughout the process of applying the method. The national expert worked with SIOD to:

- ▶ Analyse the current strategy and KPIs of the authority and analyse them against the holistic approach framework.
- ▶ Identify gaps and discuss the results of this 'gap analysis' in terms of missing performance indicators.
- ▶ Decide on any provisional new performance indicators that might be developed and co-develop them.
- ▶ Implement the six steps of the BSC method on existing and new performance indicators, with particular attention given to developing performance measures to assessing the effectiveness of more preventative policy measures.
- ▶ Gather feedback from SIOD on the BSC method's usefulness and the transferability potential of the developed performance indicators, as well as the challenges faced in developing these KPIs and any tips or good practices on how these can be overcome.

5.2 Evolution of KPIs

Belgium's Social Information and Investigation Service (SIOD) has in recent years moved away from a purely deterrence approach and established a more diverse range of strategic objectives and performance indicators for its 2022-2025 strategic plan that reflects the more preventative and coordinated approach associated with the holistic approach. This case study was therefore chosen to discuss the progress that had been made, challenges faced and how they had been overcome. In addition, some of the actions had not yet been subject to the full six step process of the BSC method, with some missing performance indicators and targets. For SIOD, there were particular challenges felt in measuring performance on many of the performance indicators associated with the preventative approach, and they felt it relevant to explore in some depth how these could be measured and evaluated. The lessons learned in doing this were of wider relevance to many Platform members who are similarly struggling with how to measure and evaluate performance in relation to the more preventative approach.

The 2022-2025 strategy has seven strategic objectives:

1. Reduce social fraud and social dumping by enhancing European and international collaboration.
2. Ensure the competitiveness of our companies and thereby guarantee fair competition.
3. Create an inclusive labour market that guarantees health and safety at work for all workers.
4. Strengthen the inspectorates to ensure greater capacity to act and greater effectiveness.
5. Simplify administration (including digitalisation) and legislation, and improve information to increase transparency, prevent unintentional irregularities and combat social engineering.



6. Increase the risk of getting caught and improve the effectiveness of the sanctions.
7. Prevent social fraud.

Within SIOD's strategy, undeclared work is considered as a part of social fraud. These strategic objectives aim to fight social fraud and include undeclared work.

To achieve these objectives, all phases of the enforcement chain are used, namely prevention, detection, control, sanctioning and recovery; and inspection interventions will be linked to the motives and characteristics of offenders and offences to the maximum extent possible. To tackle social dumping, one of the major priorities in the battle against social fraud, SIOD has introduced a programmatic approach, which is also incorporated in the strategic plan. The programmatic approach for social dumping implies that the actions (and related KPIs) to combat social dumping are more interlinked and connected with each other. This is facilitated by the program leader, SIOD, who – due to its coordinating role - has an umbrella view on the implementation of the actions and KPIs. This programmatic approach not only enhances the holistic approach, but also enables cross-fertilization between the inspectorate services.

5.3 Current KPIs in the framework of the holistic approach

Table 5 presents the current **key performance indicators (KPIs)** adopted by SIOD (i.e., SIOD refers to KPIs as 'Actions') and places them within the framework of the holistic approach.¹² SIOD collects the data from several agencies involved:

- ▶ Different policy units linked to different cabinets of Ministers;
- ▶ DAG: Department of Administrative Fines;
- ▶ FOD Financiën: Federal Public Service of Finance;
- ▶ FOD SZ: Federal Public Service of Social Security;
- ▶ FOD WASO: Federal Public Service of Employment, Labour and Social Dialogue;
- ▶ FOD WASO TSW: Federal Public Service of Employment, Labour and Social Dialogue, Department Supervision of Social Laws;
- ▶ FOD WASO TWW: Federal Public Service of Employment, Labour and Social Dialogue, Department of Supervision for Well-being at Work;
- ▶ FPD: Federal Pensions Service;
- ▶ Program Board '9 Werven';
- ▶ RIZIV DAC: National Institute for Sickness & Disability Insurance, Department of Administrative Controls;
- ▶ RIZIV DGEC: National Institute for Sickness & Disability Insurance, Department of Medical Evaluation and Monitoring Service;
- ▶ RSVZ: Social Security Self-employed Entrepreneurs;
- ▶ RSZ: National Office of Social Security;
- ▶ RVA: National Office of Employment;
- ▶ Secretary-General of the Benelux;
- ▶ SIOD.

¹² It should be noted that the BSC method recommends that there should be no more than two KPIs for each strategic objective, and that this is exceeded in the case of SIOD. In part, but only in part, this can be explained by the fact that SIOD is an 'umbrella' coordinating organisation and has to include the strategic objectives of numerous inspectorates below it.



Table 5. SIOD KPIs put into holistic approach framework

No.	STRATEGIC OBJECTIVES [SOS] AND KEY PERFORMANCE INDICATORS [KPIs]
SO 1.	DEVELOP A CROSS-GOVERNMENT JOINED-UP STRATEGY
KPI 1.1	Number of MOUs, collaboration agreements, agreements (verbal / written) debated and negotiated by social inspection services and/or administrations
KPI 1.2	Number of signed treaties (on the fight against social fraud) between Belgium and other countries (EU or third countries)
KPI 1.3	Toolkit & roadmap
KPI 1.4	Creation of a correct legal framework for increased data exchange between the competent regional and federal administrations and among competent federal administrations
KPI 1.5	Analysis & action plan
KPI 1.6	Support for the Commission for Good Services
KPI 1.7	Analysis of the role of social inspection services within administrative enforcement
KPI 1.8	Analysis of potential new collaborations in administrative enforcement on the request of cities and municipalities (demand driven)
KPI 1.9	Further development and roll-out of existing collaborations in administrative enforcement on the request of cities and municipalities (demand driven)
KPI 1.10	Consultation on policy measures
KPI 1.11	Updating the inspection methodology
KPI 1.12	Continuation of the conversion project for the application of uniform definitions, registration of investigations, reporting and traceability of results
KPI 1.13	Continuation of the project "treaty"
KPI 1.14	Analysis of the impact of the legal adaptations
KPI 1.15	Rolling out the first version of the MANCP
SO 2.	JOIN-UP OPERATIONS CROSS-GOVERNMENT
KPI 2.1	Number of publications / requests for shared inspections
KPI 2.2	Rolling out targeted actions (e.g., flash controls)
KPI 2.3	Number of common workshops / staff exchanges
KPI 2.4	2000 social dumping investigations, of which at least 200 in Brazilian "filières" and at least 400 on the posting of third country nationals



KPI 2.5	Number of joint (AIC) actions, controls and investigations coordinated by SIIS with at least one inspection service of another country involved
KPI 2.6	At least 3 joint (AIC) actions, controls and investigations coordinated by SIIS with at least one inspection service of another Member State (in international road transport)
KPI 2.7	An integral approach of the service cheque sector
KPI 2.8	Exchange of fraud phenomena concerning identity fraud
KPI 2.9	100 investigations human trafficking / socio economic exploitation
KPI 2.10	30 controls home and embassy personnel (incl. au pairs, especially in big cities)
KPI 2.11	Active participation in relevant international initiatives to promote multidisciplinary collaboration in the fight against economic exploitation
KPI 2.12	Number of inspections during action days (EMPACT Action Days), during which multiple EU Member States carry out inspections in risk sectors simultaneously
KPI 2.13	Carrying out 500 controls in big cities (several topics), with specific attention for car washes (fraud phenomenon fiche)
KPI 2.14	250 inspections among courier services
AKPI 2.15	Number of inspections per sector and fraud phenomenon (total 10.000 inspections)
KPI 2.16	100 concluded investigations (shared between RSZ & RSVZ)
KPI 2.17	10 shared ¹³ investigations in the platform economy (e.g., recognized and non-recognized platforms)
KPI 2.18	Bimonthly meetings between RIVIZ and RVA
KPI 2.19	Determining the scope for further collaboration
KPI 2.20	Rolling out new forms (i.e., printed documents requiring completion) (wellbeing & car washes)
SO 3.	IMPROVE CROSS-GOVERNMENT DATA COLLECTION, SHARING AND ANALYSIS
KPI 3.1	Number of publications / requests for the exchange of information
KPI 3.2	Exchange of data between regions and RVA
KPI 3.3	E-flux imprisonment
KPI 3.4	Development of a consultation option of e-PVs via the justice system (MACH)
KPI 3.5	Continuation of the project on electronic data exchange & number of common meetings (Luxemburg)

¹³ Investigations collectively conducted among the National Social Security Office (RSZ / ONSS), the National Institute for the Social Security of the Self-Employed, Federal Public Service of Employment, Labour and Social Dialogue, Department Supervision of Social Laws, Federal Public Service of Employment, Labour and Social Dialogue, Department of Supervision for Well-being at Work.



KPI 3.6	Continuation of the project on electronic data exchange & number of common meetings (France)
KPI 3.7	Mutual exchange of fraud phenomena, organisation of thematic workshops, creation of data fluxes
KPI 3.8	Mapping available databases & gap analysis
KPI 3.9	Number of negotiations with other countries on bilateral exchanges & other social data in the context of BEX (electronic & automatic)
KPI 3.10	Continuation of the multidisciplinary approach of dossiers large-scale social fraud
KPI 3.11	Further optimisation of mutual data exchange between police and social inspection services
SO 4.	IMPROVE SOCIAL PARTNER INVOLVEMENT
KPI 4.1	Advice social partners on the necessity and desirability concerning the introduction of a general digital labour time registration in response to the CJEU C-55/18 ruling
KPI 4.2	Finished research report concerning the perception measurement & concerning the evaluation of the Charter ¹⁴
KPI 4.3	Evaluation of checklists and guidelines, and drafting of new guidelines (e.g., sports sector, platform economy, etc.)
SO 5.	IMPLEMENT MORE EFFECTIVE SANCTIONS
KPI 5.1	Adapted social criminal code ¹⁵
KPI 5.2	Quarterly reporting on the number of revoked A1 documents per institution and per actor
KPI 5.3	Revoking 1000 A1 documents
KPI 5.4	Description of problems and potential solutions for a more efficient and effective cross-border recovery
KPI 5.5	Drafting of guidelines
SO 6.	IMPROVE THE RISK OF DETECTION, INCLUDING DEVELOPING DATA COLLECTION, SHARING AND ANALYSIS
KPI 6.1	Training on social dumping for social inspectors, police and governments included in the protocol
KPI 6.2	Developed modules (wellbeing and other) & number of received and forwarded cross-border notices
KPI 6.3	Delivery of a list of targets per trimester incl. new fraud phenomena

¹⁴ In 2018, a Charter was agreed between SIOD, five federal social inspection services and the relevant Ministers; representatives of employer organisations and self-employment organisations (in Belgium, the so-called Group of 10). The purpose of the Charter was to clarify some transversal principles for inspections in the field, in addition to the legal framework. The Charter is available at https://www.siod.belgie.be/sites/default/files/Downloads/Protocollen/NL/Charters/charter_met_ondernemingen_nl.pdf, accessed 26 January 2023.

¹⁵ The actual adaptation of the social criminal code is a task for the legislator. However, following up on whether the social penal code is updated or not, is a KPI that is being followed up by SIOD. This is how that KPI is formulated. Adapting the social criminal code is not a competency of SIOD itself.



KPI 6.4	50 targeted investigations social dumping
KPI 6.5	Synergy social fraud and wellbeing at work among temporary work agencies
KPI 6.6	200 investigations joint and several liability for wages
KPI 6.7	Analysis and follow-up of 600 suspicious situations (suspicious A1 or absence of A1)
KPI 6.8	Finalised report on the fight against fraud linked to temporary crisis measures for independents
KPI 6.9	Finalised report on the fight against fraud linked to temporary unemployment due to Covid-19
KPI 6.10	Finalised report on the controls on contribution reductions in the hotel sector, the travel sector and the event sector
KPI 6.11	24 completed investigations concerning abuse of labour time of doctors-specialists in training
KPI 6.12	300 concluded investigations concerning abuse of temporary workers
KPI 6.13	Investigations with newly and provisionally registered employers, based on data mining and data matching
KPI 6.14	24 investigations of suspicious situations concerning fictive internships
KPI 6.15	Inspections in the fight against social engineering, social dumping and fraudulent networks on a yearly basis
KPI 6.16	Investigations among public employers based on datamining and data matching Inspections in the fight against social engineering, social dumping and fraudulent networks on a yearly basis
KPI 6.17	200 completed investigations on labour time (part-time and full time employed workers)
KPI 6.18	Completed investigations concerning undeclared self-employed persons
KPI 6.19	Continuation of the development of automation and selection within the high volume of incoming dossiers
KPI 6.20	1 'flash inspection' ¹⁶
KPI 6.21	Number of inspections executed based on e-PVs of social inspection services concerning combination of undeclared work with disability benefits
KPI 6.22	Number of inspections concerning the stay abroad
KPI 6.23	Number of investigations admissibility with RIZIV based on a final decision on non-submission by the RSVZ, to then consider the impact of this decision on the sickness and invalidity insurance
KPI 6.24	6000 inspections domicile fraud on a yearly basis among the unemployed entitled to benefits

¹⁶ So called 'flash inspections' are wide spread inspections, taking place at different locations at the same time, and are announced upfront. The aim of these inspections is to be informative and preventive. Social partners are informed. About 6 so-called 'flash inspections' are organised per year, each focusing on a different sector. For 2023, flash inspections will take place in the transport sector, the construction sector, the hotel and catering industry, the cleaning industry, the 'green' industry, and the meat industry. More info available at: [Contrôles éclairés | Sociale Inlichtingen-en Opsporingsdienst \(belgie.be\)](https://www.belgie.be/contrôles-éclairés).



KPI 6.25	Number of established infringements for persons on a career break / time credit
KPI 6.25	Number of findings of combination of career break / time credit with other sources of income
KPI 6.26	6000 inspections temporary unemployment on yearly basis
KPI 6.27	30 million financial impact ¹⁷
KPI 6.28	Further professionalisation of the data mining and data matching expertise at RVA and RSVZ
SO 7.	IMPROVE THE EASE AND BENEFITS OF ENGAGING IN DECLARED WORK
KPI 7.1	Analysis by government partners of the measures needed in line with the Government Agreement, aimed at diminishing the personnel costs of companies to improve their competitive position
KPI 7.2	Simplifying the system of "recruitment of first employee"
KPI 7.3	Increasing the purchasing power of workers through fiscal and parafiscal measures
SO 8.	IMPROVE EDUCATION AND AWARENESS RAISING
KPI 8.1	Number of publications / social media posts
KPI 8.2	Launching a (social) media campaign
KPI 8.3	Rolling out targeted prevention and awareness raising actions in the field (transport sector)
KPI 8.4	Establishing a working group
KPI 8.5	Number of preventive actions incl. awareness raising (in the context of labour conditions for migrant workers, including refugees from Ukraine)
KPI 8.6	Number of preventive actions incl. awareness raising (in the context of awareness-raising on social dumping among government entities related to public procurement)
KPI 8.7	Information campaign to privileged partners
KPI 8.8	Awareness raising in diplomacy
KPI 8.9	Testing of nudging techniques concerning wellbeing provisions
KPI 8.10	Analysis of serious work accidents within a cross-border employment
KPI 8.11	Participation in meetings of the advisory committee of ProFS
KPI 8.12	6 pre-announced flash controls per judicial district, in a predetermined set of fraud sensitive sectors, organised by SPOCs of the participating federal social inspection services, and announced at least 2 weeks in advance on the SIIS website

¹⁷ The financial impact that is reported for this KPI, is calculated by the entity that reports on this KPI, not by SIOD. The financial impact covers the amount identified in official records. A part of this amount are refunds that are refunded voluntarily, another part is only paid after the legal procedure has been concluded. In case of non-payment, there are attempts to recuperate the amount via insurance entities in collaboration with the Federal Public Service of Finance. The financial impact also includes the lowering of expenses related to the obligatory health insurance, as a consequence of national investigations. As the impact measurement after national investigations has only recently been started, the target of 30 million euro might still prove to be too ambitious for the coming years.



SO 9.	MODERNISE THE LABOUR INSPECTORATE BY IMPROVING HUMAN RESOURCE CAPACITIES, CUSTOMER SERVICE AND PUBLIC RELATIONS
KPI 9.1	Recruitment of 50 social inspectors
KPI 9.2	Creation of a training on recognizing potential fraudulent identity documents

5.3.1 Insights based on the allocation of SIOD KPIs in the framework of the holistic approach

The SIOD Action Plan for the fight against social fraud 2022 contains 100 KPIs. For 98 of these 100 KPIs, it was possible to map them in the framework of the holistic approach. The remaining two KPIs were not allocated as they were not considered to be formulated as KPIs (in a ‘SMART’ manner). These two KPIs concern (1) the transposition of EU legislation in Belgian law, and (2) Increased attention for diversity and for all forms of discrimination.

Of the remaining 98 KPIs that were mapped to the framework of the holistic model, most (29 in total) were mapped to Strategic Objective 6, “Improve the risk of detection, including developing data mining, matching and sharing”. The least amount of KPIs (2 in total) was allocated to Strategic Objective 9, “Modernise the labour inspectorate by improving human resource capacities, customer service and public relations”.

To summarize, SIOD KPIs were allocated to the framework of the holistic model as follows:

- ▶ 29 KPIs to Strategic Objective 6 on improving the risk of detection;
- ▶ 20 KPIs were allocated to Strategic Objective 2 on join-up operations cross-government;
- ▶ 15 KPIs were allocated to Strategic Objective 1 on developing cross-government joined-up strategy;
- ▶ 12 KPIs were allocated to Strategic Objective 8 on improve education and awareness raising;
- ▶ 11 KPIs were allocated to Strategic Objective 3 on improving cross-government data collection, sharing and analysis;
- ▶ 5 KPIs were allocated to Strategic Objective 5 on implementing more effective sanctions;
- ▶ 3 KPIs were allocated to Strategic Objective 4 on improving social partner involvement and to Strategic Objective 7 on improving the ease and benefits of engaging in declared work;
- ▶ 2 KPIs to Strategic Objective 9 on modernise the labour inspectorate by improving human resource capacities, customer service and public relations.

Overall, towards the future, the formulation of several KPIs in the Action Plan could be enhanced to be more SMART, namely “Specific, Measurable, Attainable, Relevant, and Time-Bound.” However, SIOD, to some extent is dependent on the participating organisations, which have already proposed some actions and KPIs within their “government agreement” and with their responsible minister. If in this process the KPIs have been accepted, then due to the bottom-up approach, the KPI for this action also has to be accepted by SIOD, to avoid having two different KPIs for the same action.

To a large extent, the KPIs taken up in the SIOD Action Plan 2022 focus on collaboration between different government agencies. This is no surprise given the organisation of the landscape of social inspection entities in



Belgium and the umbrella position of SIOD in that landscape. The strategic framework that encompasses these KPIs is drafted separately by the Government but prepared by SIOD, for a time span of 4 years. This constellation however also entails that certain aspects that could be relevant in the context of the framework of the holistic approach are not within the mandate of SIOD.

5.4 Changes made to KPIs

By putting the existing KPIs into the holistic framework above, a gap analysis was possible, identifying missing topics on which there are no performance indicators. This gap analysis produced the following findings.

As indicated above, the lowest number of KPIs was allocated to Strategic Objective 9, “Modernise the labour inspectorate by improving human resource capacities, customer service and public relations”. Those two KPIs focus on the recruitment of 50 social inspectors, and the creation of a training on recognizing potential fraudulent identity documents. Some aspects of the modernisation of the labour inspectorate fall within the competency of the individual agencies (and their authorities) and are therefore less included in the action plan.

Nevertheless, towards the future, it could be relevant to expand the KPIs related to Strategic Objective 9 to cover a broader set of aspects beyond recruitment and one specific training topic. Concerning human resource capacities, it could be relevant to consider topics such as flexibility, compensation and reward, work-life balance, sense of belonging and culture, as the war for talent also increases for government entities. Another element that could be of interest is the increasing focus on the entrepreneurial spirit, as workers are looking for more agency, autonomy and opportunity in their jobs. In the context of the fight against social fraud and social inspection services, it could be considered to undertake efforts in breaking the silo approach between inspection services to deconstruct existing jobs into competency-based roles. This could allow workers to leverage on their core competencies, which could increase their job satisfaction and job loyalty. From the government perspective, creating an internal talent marketplace (e.g., to allow for personnel rotations, project work, new roles) could also enhance the creation of expertise and the optimal usage of existing expertise.

In terms of customer service, KPIs could be considered in the field of enhancing the inspection approach, methods and tools from the perspective of the end user, i.e., the citizen. Examples of human-centred design could be the linking of mental health services to a workers’ injury situation, or the linking of an inspection in a newly established company with information on loans and grants that could be of interest to that company or making sure that companies can continue their business activities during an inspection to the extent possible.

Strategic Objective 4, “improve social partner involvement”, also has a relatively low number of allocated KPIs. However, one of these KPIs (evaluation of checklists and guidelines and drafting of new guidelines) has a very broad scope. It comprises not only meetings with the social partners in more than 10 sectors for which a partnership agreement exists, but also new initiatives in these sectors or in other sectors (e.g., sports). Hence, the pure qualitative allocation of KPIs does not necessarily reflect the broadness in scope of the KPIs.

Strategic Objective 7, “improve the ease and benefits of engaging in declared work”, also contains a relatively small amount of KPIs. This type of strategic objective mostly calls for policy initiatives (the three allocated KPIs are purely policy initiatives). As the action plan is an operational action plan, mostly focused on actions by social inspectorate services, it can be a bit challenging to incorporate more KPIs for this strategic objective.

5.4.1 Next steps: impact measurement

SIOD aims to continue to grow in the development and follow-up of KPIs and monitoring in a broader sense. In this context, SIOD is investigating the implementation of impact monitoring. Impact monitoring allows one to gather insights on what works, how it works, why and for whom, but on a broader timeline than KPIs. This is done by



collecting input on individual interventions or actions, after which a check is performed to assess whether these interventions or actions achieve the target result. These insights can then be used to consider how the available resources can be deployed even more efficiently in the future.

Impact monitoring allows for both the measurement of the economic impact of interventions, as well as qualitative, societal and social returns. It also allows for measurement on the micro level (the individual) and macro level (the society), and it can also be used to assess the impact of preventive measures. Some attention points for impact monitoring include the fact that most interventions tend to be organized with only short-term goals in mind, which means the long-term impact is not always clear from the start. Furthermore, the results of interventions can be influenced by different unknown factors and assumptions. A broad perspective is useful: actions or interventions can have an impact on different stakeholders in different timespans – the impact is thus not necessarily limited to the target audience of any given action or intervention.

SIOD is using a six-step approach to impact monitoring:

- ▶ Phase 1: determining the context of the analysis
 - ▷ Document the process of the impact monitoring, make concrete how the different tasks in the process need to be conducted, identify opt-ins and opt-outs (i.e., aspects that are purposely part or not part of the impact analysis), describe the programme theory.
- ▶ Phase 2: identify indicators
 - ▷ Identify indicators that allow for the measurement of the programme theory, if possible and wanted in collaboration with stakeholders.
- ▶ Phase 3: collect data
 - ▷ Collect data via different methods, both qualitative as well as quantitative, to cover the outcomes and the costs incurred for an intervention, and in line with the chosen indicators. Identify proxies for those aspects for which data collection is not possible (e.g., for the replacement of outcomes that have no immediate market value).
- ▶ Phase 4: conduct outcome evaluation
 - ▷ Based on a predetermined method, conduct the outcome evaluation (e.g., experimental method, process based method).
- ▶ Phase 5: calculate return on investment
 - ▷ Calculate the return on investment of the intervention.
- ▶ Phase 6: present the results
 - ▷ Present the results of the monitoring to the target audience(s).

SIOD is now looking into implementing this impact monitoring for one of the actions of the Draft Action Plan 2023-2024 as a pilot case. The pilot case will be conducted for Action 6 of the Draft Action Plan 2023-2024, “Effect measurement of training on social dumping for social inspectors, local police and governments”:

An Example of Impact Monitoring

A survey of SIOD among different social inspection services and the federal police has shown that the training on social dumping in the field could be further improved. Training is essential to increase the effectiveness of social inspection services on the ground. Up-to-date knowledge allows for a better detection and framing of the fraud phenomenon.

In collaboration with the different inspection services, SIOD has created a common training on social dumping in 2022 (based on art. 3 §9 of the Social Criminal Code). The already concluded collaboration agreements (e.g. Direction of Buildings, Facilities Company of Flanders, Public Service of Wallonia) were used as input for this training. The goal was to increase the expertise in the field of detection of social dumping among the different services involved, and to work on capacity building.

In the context of the public procurement legislation, the public sector has an exemplary function. This is why SIOD has concluded different collaboration agreements with different public services (e.g., Direction of Buildings, Beliris, Public Service of Wallonia, the Flemish Government, etc.). The Chancellery has published a guide to provide public services with a better view on the phenomenon of social dumping ("Guide against social dumping in the context of public procurement and concession agreements"). These practices can be signalled by the government entity involved via the Point of Contact for Fair Competition.

In 2023/2024 SIOD will conduct an effect measurement concerning the results of this training (e.g., number of controls, results of controls, preventive nature, number of signalisations of potential social dumping within government entities, etc.). In 2024, this will be taken into account for the adaptation of the training.

Operational goal	Increased knowledge about the fraud phenomenon among stakeholders
Product	Report
Indicators	<p>Number of modules of the training 'social dumping' followed by an actor on a yearly basis (e.g., January – December of year X)</p> <p>Number of preventive actions (including awareness raising) by the government as a contracting authority on a yearly basis (e.g., January – December of year X)</p> <p>Number of (additional) notices via the Point of Contact for Fair Competition by a government entity involved on a yearly basis (e.g., January – December of year X)</p>
Actors involved	SIOD, social inspection services, police, government entities
Project leader	SIOD
Effect measurement	Conducting a measurement before and after the training, mapping the number of social dumping cases in public work sites (analysis of statistics).
Means	Available capacity, tools

The impact measurement for this action is now being developed along the following lines. Please note this is a first draft to develop the impact measurement approach concretely for this action. It is not completed yet; SIOD continues to work on this, depending on available resources, and buy in of the different institutions. It will be used as a general framework, but SIOD cannot guarantee as such a concrete result.

- Phase 1: determining the context of the analysis
 - ▷ *Goal of the analysis:*
 - Getting a clearer view of the education goals on the ground
 - Improving the quality of the training (content mainly)



- Assessing whether knowledge of social dumping and the approach thereof has increased thanks to the training

▷ *Types of return:*

- Professional returns
 - ☐ Increased knowledge on social dumping and the approach thereof
 - ☐ Knowledge that is relevant and useful for the tackling of social fraud
 - ☐ More knowledge on the competencies of other government entities with relation to social dumping
 - ☐ Networking: meeting colleagues to increase collaboration
- Organisational returns
 - ☐ A training that meets the needs of the personnel on the ground as much as possible
 - ☐ Offering extra value to the users of the training
- Citizen experience returns
 - ☐ A better experience for companies during an inspection
 - ☐ Quicker detection and tackling of social dumping
- Societal returns
 - ☐ A more efficient approach of social dumping via the efficient use of the limited resources
 - ☐ Ultimately, a decrease of social dumping

▷ *Timing and target audience*

- Short term: increased knowledge and networking among actors involved in the social inspections
- Long term: a more efficient approach of social dumping, and an overall decrease of social dumping
- Target audience
 - ☐ Inspectors that participated in the trainings
 - ☐ Facilitators who conducted the training
 - ☐ SIOD (to adapt the training based on the feedback)
 - ☐ Management of participating institutions (e.g., social inspection services)

▷ *Available means*

- 1 extra staff member at SIOD, with expertise in training (to be requested)
- Extra financial resources (to be requested)

▷ *Programme theory*

- (to be developed)



► **Phase 2: identify indicators**

▷ *What will be measured*

- Number of participants per module
- Participant satisfaction, mainly focused on the content of the training, collected via an evaluation form
- (Perception of) increased knowledge, including knowledge useful for the daily functioning of the participants (“How does this training help me to be more targeted in my inspections and interviews, etc.”) → potentially via a before and after measurement of the perception of knowledge
- Evolution of notices by services that have taken part in the training
- Evolution of the number of investigations
- Evolution of the number of positive investigations

▷ *Shaping the indicators*

- Number of participants per module on a yearly basis
- Participant satisfaction on a predetermined scale, on a yearly basis
- Number of notices by inspection services that have taken part in the training
- Number of (positive) investigations
- (to be developed further)

► **Phase 3: collect data**

▷ *Qualitative data*

- Survey among participants of the training on the quality of the content of the training, the relevance of the content vis-à-vis their daily work with respect to social dumping, etc.

▷ *Quantitative data*

- Survey among participants of the training
- Control data: number of investigations and number of positive investigations
- Notices of the Point of Contact for Fair Competition
- Prevention actions by the government

► **Phase 4: conduct outcome evaluation**

▷ *Before and after measurement*

- Ideal scenario. In case timing issues appear for the before measurement, a survey on the perception of knowledge before and after can be an alternative.

▷ *Process based approach*

- By using a survey among participants, evaluation form.



► **Phase 5: calculate return on investment**

▷ (to be developed)

► **Phase 6: present the results**

▷ (to be developed)

6.0 Reflections of the Case Study participants on the challenges in developing KPIs

Key findings

- The progress that had been made by the Latvian SLI in implementing the new performance indicators developed in 2017 following the Mutual Assistance Project (MAP) were discussed, the challenges faced and how they had been overcome to gather tips that might be more widely relevant to labour inspectorates in other countries.
- The findings are reported for the Latvian SLI on the challenges faced in implementing each of the proposed recommendations along with any tips that might be useful for other labour inspectorates struggling with the same challenges.
- For this purpose, the challenges are divided according to whether they are cross-government, internal to the SLI or related to the involvement of social partners. The challenges are presented in the form of policy recommendations and proposed actions as well as the progress that has been made, and further challenges for each of the proposed recommendations.
- For Belgium, the division of competencies between different government levels in the federal system and between different inspection services within one government level¹⁸, limit the actions that an entity like SIOD can undertake. Some actions and/or KPIs could be interesting from a content perspective but are not possible today due to the competency division.
- Nevertheless, by putting certain KPIs forward, SIOD can bring specific topics to the foreground of the debate among the inspection services – all whilst respecting the competency division. Thus, SIOD can give an impulse towards the social inspection services to potentially rethink their approaches in different fields (e.g., flexibility, compensation and rewards, breaking the silos between entities, human-centred design of the inspection interventions, etc.).
- In terms of challenges, SIOD was faced with the following:

¹⁸ Clarification: as Belgium is a federal state, there are different government levels. On the federal level, social inspections are conducted by different inspection services, depending on their competencies. These competencies are allocated to different inspection services by law.



- ▷ Manageability of KPIs, both for the inspection services and government entities involved as well as for SIOD itself.
- ▷ Comparability of data between different entities.
- ▷ Development of common definitions.
- ▷ Relevance of KPIs for all stakeholders involved, including policy makers.
- ▷ Autonomy versus central integrated approach.
- ▷ Formulation of KPIs that are sufficiently SMART.
- ▶ Based on the current experience, SIOD provides the following tips:
 - ▷ Secure political support for the development of the KPIs as of the start of the project.
 - ▷ Generate support among the top decision makers in the different entities involved, in order to safeguard the investment of time and means on the middle management level to contribute to the KPIs and the follow-up thereof.
 - ▷ Secure common definitions for recurring concepts in order to enhance the comparability of data and the relevance of the KPIs.
 - ▷ Apply an iterative process.
 - ▷ Be open to adaptation of the process.
 - ▷ Consider external support.
 - ▷ Apply a long-term approach.
- ▶ Try to assure open and transparent communication between the partners to foster commitment and trust.

6.1 State Labour Inspectorate, Latvia

In 2017, a mutual assistance project was held with the Ministry of Welfare of the Republic of Latvia. The aim was to support the Latvian State Labour Inspectorate (SLI) in improving its effectiveness in tackling undeclared work. The four-person Platform expert team worked closely with Latvian counterparts providing strategic and operational guidance and recommendations. The aim was to help the Latvian authorities to improve their effectiveness in tackling undeclared work.

A second visit to assess the implementation of the guidance and recommendations was held on 11 July 2018. The aim was to help ensure that the learning, insights and actions are being translated into concrete improvements and positive change. The overall conclusion was that significant progress has been made on modernising the SLI's strategy, strategic objectives and key performance indicators (KPIs) in relation to undeclared work. The follow up report was prepared indicating remaining recommendation and the next steps required. In the table below recommendations from this Follow up report (2018) are given with status description and SLI comments on potential to implement these recommendations in coming future.

The national expert discussed with the Latvian SLI the progress that had been made in implementing these new performance indicators developed in 2017, the challenges faced and how they had been overcome to gather tips that might be more widely relevant to labour inspectorates in other countries. Here, the findings are reported in the



form of presenting policy recommendations and proposed actions as well as the progress that has been made, and further challenges for each of the proposed recommendations.

6.1.1 Challenges: cross-government

POLICY RECOMMENDATION	ACTION PROPOSED	PROGRESS MADE AND COMMENTS
CROSS-GOVERNMENT RECOMMENDATIONS		
Greater Coordination and Cooperation with other Enforcement Agencies on Strategy and Operations		
1. Implement a holistic integrated strategy for tackling undeclared work, by introducing shared cross-cutting strategic objectives and KPIs.	<ul style="list-style-type: none"> • If tackling undeclared work is to be effective, it is essential to join-up the strategies of all state agencies (and the social partners) in a coordinated coherent approach. • To achieve this, the feasibility of introducing shared strategic objectives and KPIs which cross-cut enforcement authorities should be explored, to establish and facilitate a more holistic integrated strategic approach. • The Shadow Economy Combating Board (SECB) should also act as the strategy body that feeds into and receives good practice from the European Platform Tackling Undeclared Work. 	<p>This is cross-governmental recommendation, therefore SLI cannot ensure its implementation by SLI efforts alone. Since follow up meeting in 2018, the work of SECB has changed as new plan to combat shadow economy was elaborated whereas meetings now are dedicated to discussing progress made by each responsible ministry. Meetings are chaired by prime minister and are time limited, so these meetings are mostly limited to discussions of the progress of plan implementation.</p> <p>A new plan combatting shadow economy is now being drafted and potential to explore joint KPIs with other state agencies is not excluded, but again – depends not on SLI's will alone. SLI is continuing to work on cooperation with other agencies and social partners and joint activities might be one of the potential future KPIs for SLI.</p>
2. Joining-up operations	<ul style="list-style-type: none"> • For businesses, joint inspections conducted by all state enforcement bodies would be a step forward towards a customer-friendly approach, rather than multiple visits undertaken by each enforcement agency. • The feasibility of increasing the use of joint/coordinated inspections across the enforcement agencies (e.g., SRS and SLI) should be explored. 	<p>SLI has formalised their cooperation with the State Border Guard, signing cooperation agreement in 2022, that foresees also joint inspections. The agreement is already introduced into practice working on methodology for joint operations and conducting controls together. Cooperation continues also with other enforcement agencies such as State Police, Municipality Police, State Revenue Service, Food and Veterinary Service etc., by exchanging risk</p>

	<ul style="list-style-type: none"> • A pilot study in a particular sector or region could be undertaken to evaluate the effectiveness of such an approach. • If effective, the result should be a new KPI for the SLI (and SRS) of the share of all inspections which are joint inspections with other enforcement agencies. 	information and where appropriate – doing joint controls. This inter agency cooperation could lead to future KPI, if not for all agencies, then at least for SLI, where proportion of it controls is done in cooperation with other enforcement agencies.
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6.1.2 Challenges: internal to Latvian State Labour Inspectorate

POLICY RECOMMENDATION	ACTION PROPOSED	PROGRESS MADE AND COMMENTS
RECOMMENDATIONS INTERNAL TO STATE LABOUR INSPECTORATE		
Strategic Management Initiatives		
Modernise the SLI's strategic objective and the Key Performance Indicators (KPIs) in relation to undeclared work	<ul style="list-style-type: none"> • The current KPI of the SLI is an output indicator based on the objective of repression, sanctioning and thus reducing undeclared work, rather than transforming undeclared work into declared work. Moreover, SLIs actions are mostly reactive instead of pro-active. There is thus a need to facilitate its shift from purely an enforcement agency using deterrence measures (i.e., increasing penalties and improving the risks of detection) to an agency which puts more emphasis on preventative measures to encourage the shift from undeclared to declared work. A transition is thus required which sees the SLI retain the current KPI of "3 000 inspections in the field of undeclared work of which 25 % needs to result in detected cases of undeclared work and 10% needs to be done repeatedly (in companies with high undeclared work risk)" but to pilot two further KPIs in the next year: • "3 000 inspections in the field of undeclared work of which X % legitimise labour relations" (with the first-year transition period to be used to provide a baseline percentage figure for future years). 	The percentage of declared (or regularised) labour relations (current target – no less than 70 %) is the KPI of current SLI strategy 2021-2023 and was already piloted as such in previous SLI strategy and will be included also in future SLI strategies. The practice to notify high risk undeclared work sectors, sector organisations and companies about SLI plans to pay particular attention to undeclared work in these sectors is already included and foreseen as activities in current SLI strategy for 2021-2023 and this practice is about to continue also for future SLI strategies.



	<ul style="list-style-type: none"> • “x 000 formalisation support and advice consultations, the success of which is measured by the level of customer satisfaction” (grouped by the type of support and advice provided, with the first year again used to produce a baseline figure for future years). <p>On the former KPI, one further option is to not include the number of inspections but to focus upon the outcomes by taking the number of declared (or regularised) labour relations as a KPI (thereby facilitating a shift away from inspections and towards the greater use of data mining and analysis, and notification letters). A first step could be to adopt a KPI of “x % of legitimised labour relations resulting from the total number of controlled labour relations”.</p> <p>A prerequisite for the latter KPI is the development of a communications strategy/media plan in the SLI business plan which addresses who is to be targeted, why, the information/messages to be conveyed to different audiences, how this is most effectively delivered, and plans for working in partnership with other government departments and social partners to deliver formalisation support and advice.</p>	
New Policy Initiatives		
<i>Deterrence measures</i>		
Improve the use of data mining and analysis to increase the risk of detection	<ul style="list-style-type: none"> • No individuals in the SLI currently have responsibility for data mining and analysis. A set of individuals should be given responsibility for this function, IT training should be sought from current ESF funding, and the Platform toolkit used to identify good practice for implementation in relation to data mining, analysis and sharing. • The SLI should consider the possibility of locating a data analyst in the State Revenue Service, working with the SRS databases, to produce tailored reports required by the SLI. This fits well the current consideration in SRS of putting data analysis functions together in a central SRS unit. 	The reorganization of SLI headquarters has been delayed and performed only partially, yet plans to develop of Data Analysis Unit are still in place and are scheduled for 1 st January 2023. Moreover, it has been agreed with the ministry that IT capacity of the SLI will be strengthened and decentralisation of IT personnel will take place also from 1 st January 2023 returning 3 IT experts to SLI. Once both Units (Data Analysis and IT) will be established, recruitment of necessary experts and their training will take place. Once SLI will have

	<ul style="list-style-type: none"> • The resultant data analyses can then be used as a risk analysis tool for planning more targeted inspections. <p>To devote greater human resources to data analysis, the SECB should provide advice on whether it is necessary to follow-up all anonymous emails reporting labour law violations, or whether criteria and a points-based system is allowable to determine whether to follow-up further, like the SRS. This latter decision would allow (i) resources to be freed for data mining and analysis and (ii) the adoption of a more strategic targeted approach to inspection visits.</p>	<p>their experts of data analysis recruited, a possibility to cooperate with SRS by training of this expert and allowing him/her to access wider data of SRS data bases that might help to locate undeclared work more efficiently will be explored. The new planning period of SF will be used to develop data analysis tool in SLI IS as well as for the training of SLI experts in this regard. Already now there are KPIs in current strategy of the SLI for 2021-2023 (see KPI-1 and KPI-2) that are data analysis related, but this analysis is at limited level now, once data analysis capacity will be developed within new Units of the SLI, this process will be even more effective.</p>
Normative notification letters (using data mining)	<ul style="list-style-type: none"> • To use data mining for preventative purposes, and reduce the need for costly inspections, the sectors or regions where the SLI are going to perform inspections could be publicly announced in advance, and notification letters sent to relevant businesses that this initiative will occur in the near future. • These normative notification letters should inform the businesses that: (i) following risk analysis, businesses in their sector/locality are being targeted for inspection, and (ii) highlight to them the benefits of being declared and costs of undeclared work both to society and legitimate businesses. They could also state how most businesses are compliant in their area and/or sector, to improve horizontal trust. <p>This should be experimented with on a limited pilot basis in the first instance in certain risk sectors and using different types of notification letter to see which is most effective in changing behaviour. Ex-post evaluation should occur using data analysis of the resultant changes in reporting for businesses sent notification letters.</p>	<p>The practice of notification letters is already in place and used as part of SLI strategy 2021-2023 (see KPI-2). Currently risk sectors and risk companies are risk sector based on limited data available for SLI (mainly based on previous inspection results of SLI itself). Once Data Analysis Unit will be developed and experts recruited this activity will get extra quality and more efficient effect if not only sectors will be data selected but also particular companies within these sectors.</p>

Preventative measures



<p>Provision of formalisation advice and support</p>	<ul style="list-style-type: none"> • Many businesses require advice on how to put their affairs in order and to operate on a fully formal basis, and new ventures advice at start-up on how to operate legitimately. • One such preventative initiative is to establish a call centre for operators to provide advice to businesses on labour law (and tax and social insurance matters if it is an inter-ministerial SECB initiative). Using scripted language responses, most calls should be dealt with by junior staff below the level of a labour (/tax/social insurance) inspector, thus reducing costs, and the call centre staff will have a target of referring only a small proportion (<10 %) of calls to labour (/tax) inspectors. • A visit by SLI staff to Ireland should take place where such a call centre operates to learn from this exemplar of 'good practice', funded by ELA. <p>Following this, the feasibility of applying for EU funds for this call centre initiative should be explored.</p>	<p>The visit to the Irish Call centre took place as well as one similar centre in Lithuania. The SLI Consultation centre that already was operational and worked under the Legal Relations Unit was developed as a separate unit – Clients Support Unit in 2020 and its capacity constantly increased (now 10 people working in this centre). Compared to 10 000 inspections performed by 100 inspectors annually, the Client Support Unit provides around 30 000 consultations for employers and employees annually. Virtual consultant (chat bot) “Zintis” has been developed and trained as well allowing clients to receive answers to simpler questions 24/7. Special consultations are foreseen for newly established companies (see KPI-7).</p>
<p>National competition on why working fully declared is better</p>	<ul style="list-style-type: none"> • To use a Latvian celebrity to make a social media video on 'why working fully declared is better' for celebrity endorsement of this issue with the target group chosen (e.g., young people). • This video will be used to launch a competition for citizens to make their own video on the subject of 'why working fully declared is better'. A prize of say EUR 2 000 would be awarded for the best 1-minute social media (e.g., YouTube; Instagram; twitter) video on this subject of “why working fully declared is better”. • This would encourage citizens to consider for themselves why it is important to work fully declared, rather than be told why they should do so. Such reflexive self-learning is far more effective than information campaigns at embedding knowledge and understanding and changing behaviour. <p>An additional option is to integrate this competition into the civic education curriculum. If this is done, schoolchildren can produce such videos in their civic education classes.</p>	<p>This recommendation has not been implemented due to lack of available funds for SLI to make such competition. SLI actively took part though in ELA social media campaigns #EU4FairWork and #Rights4AllSeasons where similar messages why working declared is beneficial were promoted.</p>

<p>Launch of a public awareness campaign on the benefits of declared work</p>	<ul style="list-style-type: none"> • Target younger people who are more likely to view undeclared work as socially acceptable, as well as some professionals, e.g. doctors, lawyers and accountants. The media used and messages need to be tailored to these selected groups. • SLI/SRS website use - landing page as part of ministry's website • Easily readable materials uploaded to the SLI/SRS website • Materials uploaded to social media (Facebook, YouTube, etc.) <p>Ensure full awareness about the SLI/SRS competencies vis-a-vis detection of undeclared work and related consequences on individuals.</p>	<p>This recommendation has not been implemented due to lack of available funds for SLI to make run such campaign. SLI actively takes part in activities tailored for young workers (in schools) explaining importance of working declared.</p>
<p>Human Resource Management</p>		
<p>Training of inspectors</p>	<ul style="list-style-type: none"> • Currently, a range of funds are used to provide initial training to inspectors, such as Consult First and various ESF funded training. • There is a need to pursue continuous staff development within the SLI, and to develop an HRM development plan for continuous professional development. <p>The SLI should make use of the ILO toolkit for the training of labour inspectors in tackling undeclared work.</p>	<p>Training of inspectors continues using available SF resources, both initial training module A and specialised module B for undeclared work is used to develop competences and capacities of SLI inspectors. In 2021 a group of inspectors received particularly in-depth training on audit interviews learning technics of communication with employers and employees that might want to hide facts about undeclared work. As part of foreseen reorganization of SLI headquarters a new Unit responsible for Development of Competences is planned to be established from 1st January 2023. This unit will be responsible for development of training plans and coordinate training process, exploring needs of inspectors and seeking for available options to answer them.</p>
<p>Retention of SLI staff, especially inspectors</p>	<ul style="list-style-type: none"> • There is currently approximately a 30 % annual turnover of staff in the SLI. Exit interviews suggest that it is primarily a salary issue and a problem of a negative perception by the public. Based on this and the staff satisfaction survey, an action plan 	<p>Annual turnover of SLI staff remains high and salaries are the major reason. As from 1st September 2022 start-up salaries for inspectors were raised by EUR 100 (13 %), but there are still difficulties to recruit inspectors willing to work for</p>

	should be produced of initiatives that can be pursued to increase the retention rate.	remuneration. Calculations for necessary funding to raise salaries are submitted to the Ministry of Welfare (MoW) and hopes remain that extra funding to raise salaries might be allocated in 2023. Exit interviews are performed by HR Unit of the MoW.
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6.1.3 Challenges: involvement of social partners

POLICY RECOMMENDATION	ACTION PROPOSED	PROGRESS MADE AND COMMENTS
RECOMMENDATIONS REGARDING INVOLVEMENT OF SOCIAL PARTNERS		
Introduce voluntary employer-led supply chain responsibility initiative in relation to a public procurement contract	<ul style="list-style-type: none"> Tackling undeclared work does not have to be solely the responsibility of the state authorities. Social partners can also play a prominent role. To do so, a voluntary employer-led initiative to rid the supply-chain of undeclared work can be implemented. Either the employer at the top of the supply-chain will take responsibility for ensuring that this is the case, or an initiative based on joint liability could be adopted. This could be introduced by a selection of approximately ten large Latvian businesses in relation to fulfilling public procurement contracts. This would involve social partners in tackling undeclared work in their supply chain and provide a clear incentive for smaller businesses lower in the supply chain to be compliant so that they receive contracts from larger firms. In this voluntary employer-led initiative, firms could be requested to show that they comply with tax, social security and labour law obligations through external auditors and/or display the absence of wage, tax and social insurance arrears and/or sanctions in recent years, with help provided by the SLI where needed. The participant could be asked to supply his/her tax data, paid amount of social contributions and wages, to prove his/her compliance. 	This initiative is out of SLI influence scope. All recommendations were presented at Shadow Economy Combatting Board where also social partners take part. The idea has been discussed with the general director of the Latvian Employers Confederation, yet SLI has no direct influence for the implementation of this recommendation.



	<ul style="list-style-type: none"> • It is recommended that in the first instance a pilot study is conducted in relation to a sphere of public procurement contracts where undeclared work is normally prevalent. 	
Awareness raising campaign by the business community of the benefits of declared work	<ul style="list-style-type: none"> • To raise awareness among businesses of the benefits of declared work and costs of undeclared work to increase the level of voluntary cooperation and reduce the need for enforced compliance. • Options are for the SLI to produce materials for local Chambers of Commerce to present and distribute, and/or for widespread attendance of labour inspectors at local Chamber events. • Another option is to work with sector-specific representative organisations in sectors vulnerable to undeclared work (e.g., construction) to present and produce materials for members. • Technical assistance could be sought from the Ministry for the SLI as a partner to secure EU funds for this awareness raising initiative. 	SLI has asked both social partners to participate in ELA campaigns against undeclared work #EU4FairWork and #Rights4AllSeasons, yet the involvement and support wished could have been greater. Other than that, not many other initiatives have taken place to follow this recommendation.
Provision of formalisation advice and support	<ul style="list-style-type: none"> • A broader initiative might use local 'role models' organised by for example chambers of commerce to act as mentors to nascent entrepreneurs starting up. • This would use local role models/mentors by developing a 'buddy system' whereby legitimate entrepreneurs buddy with younger nascent entrepreneurs to help them legitimise and provide support and advice on legitimate business development. • Technical assistance could be sought from the Ministry for the SLI to secure EU funds for this awareness raising initiative. 	This initiative is out of SLI influence scope. All recommendations were presented at Shadow Economy Combatting Board where also social partners took part.
Sector-specific pilot study Joint Action Task Force on tackling undeclared work	<ul style="list-style-type: none"> • There is currently social partner cooperation with the SLI on OSH but not undeclared work. To commence cooperation on undeclared work, a pilot Joint Action Task Force between the SLI, trade unions and employer federations focused upon some sector can be pursued, such as the construction industry or the security industry. • This pilot could give insight into future opportunities for developing a wider tripartite partnership agreement. • This might also consider a voluntary initiative to pursue 'labelling' of businesses as 'clean'/ 'legitimate' by businesses signing a declaration which states that they will engage only workers on a declared basis. 	Cooperation agreement has been formalised with Construction Industry Trade Unions foreseeing cooperation also regarding undeclared work. However, no practical activities have been conducted in this regard.



6.2 Social Information and Investigation Service (SIOD), Belgium

The national expert discussed with SIOD the progress in the shift away from a purely deterrence approach and towards a more preventative and coordinated approach, the challenges faced and how they had been overcome to gather tips that might be more widely relevant to labour inspectorates in other countries. Given that this case study focused on how to measure and evaluate performance of the more preventative policy measures to feed into key performance indicators, this is the focus of the discussion here. Throughout this discussion, SIOD and the national expert were conscious of the need to draw out lessons learned of wider relevance to many Platform members who are similarly struggling with how to measure and evaluate performance in relation to the more preventative approach.

6.2.1 Challenges

In discussion with the national expert, the SIOD team has identified the following challenges in the measurement and evaluation of performance, that could be relevant for the broader community:

- ▶ Manageability of KPIs, both for the inspection services and government entities involved as well as for SIOD itself.
 - ▷ The current KPI process requires a significant time investment from the inspection services and government entities involved to collect, bundle and communicate data to SIOD in order to respond to the KPIs. On the other hand, the SIOD team faces a significant task in bringing all collected data together, especially when data is collected among different inspection services to respond to one particular KPI.
 - ▷ In order to have in-depth information on the KPIs, both quantitative (e.g., number of controls) and qualitative (e.g., new fraud phenomena) information is often necessary. This requires a certain amount of adaptations within the services (e.g., information exchange).
- ▶ Comparability of data between different entities.
 - ▷ Next to being provided separately and manually (e.g., via e-mail), the data needed to report on the KPIs is often organised differently or collected by using different approaches or definitions among different government entities. This creates a challenge for data quality, and in terms of labour needed to measure and follow-up on the KPIs in the long run. Agreements regarding the data collection (e.g., definitions used) could enhance the data quality, whilst automation or connected systems could relieve some of the manual labour needed today in this respect.
- ▶ Development of common definitions.
 - ▷ In order to report on KPIs in a consistent manner with comparable data across different entities, a set of common definitions is necessary. Different ways of working, different legal frameworks and historically developed approaches can make it challenging to develop such shared definitions. For SIOD, it is also challenging to get a clear view on the different definitions in use across involved entities.
 - ▷ Even when common definitions are in place, the scope and methodology (e.g., how the definitions are interpreted) can vary between services.
- ▶ Relevance of KPIs for all stakeholders involved, including policy makers.



- ▷ For each KPI considered, it needs to be assessed to what extent this KPI is relevant for the different actors involved, including policy makers. The relevance of the KPIs for the stakeholders affects their willingness to engage in the exchange of information needed to measure the KPIs. The aim of the KPIs should be to generate a win-win situation, meaning that it should be equally interesting for entities to see the results of a KPI as it is for SIOD as a central entity.
- ▶ Autonomy versus central integrated approach.
 - ▷ It is necessary to find a balance between the autonomy of the different entities involved and the efforts required from these entities in the context of a central integrated approach managed by SIOD. The relevance of the KPIs for all actors involved plays a role in this. Second, available means are continuously under pressure which motivates the entities to be considerate in terms of how the available time and means are spent.
- ▶ Formulation of KPIs that are sufficiently SMART.
 - ▷ In certain cases, inspectorate services depend on the input or work of other services to obtain certain goals or to conduct controls. If the input from other services is insufficient, this could result in the inspectorate service not achieving its objective. To avoid this, indicators are sometimes deliberately kept general. Also, certain KPIs need to be aligned with the Management Plan of each institution. This equally plays a role in how SMART the indicator can be formulated.

6.2.2 Tips

SIOD offers the following tips for government entities considering engagement in the development of overarching KPIs:

- ▶ Secure political support for the development of the KPIs as of the start of the project. This will help to motivate the case for change and for action among the different entities whose collaboration will be necessary in order to develop and follow-up on the different KPIs.
- ▶ Generate support among the top decision makers in the different entities involved, in order to safeguard the investment of time and means on the middle management level to contribute to the KPIs and the follow-up thereof.
- ▶ Secure common definitions for recurring concepts in order to enhance the comparability of data and the relevance of the KPIs.
- ▶ Apply an iterative process. Communicate clearly on the process of the development and the follow-up of the KPIs. This will allow the entities involved to be aware about the timeline and to anticipate certain questions that will require a time and effort investment from them.
- ▶ Be open to adaptation of the process. After the initial development and roll-out of KPIs, there will be lessons learnt in terms of what works well or less so. Be ready to adapt the process based on this learning and communicate openly about this process to all actors involved. Clarify why adaptations are beneficial, also from their perspective.
- ▶ Consider external support. Different consultancy firms have ample experience with the development and implementation of KPIs, as well as the change management necessary to embed these in the organization.



- ▶ Apply a long-term approach. Develop a vision of the goals and approach of the KPIs and consider a phased roll-out where certain aspects are tried and tested first, before expanding the exercise (e.g., towards more KPIs, more complex KPIs, more entities involved, etc.).
- ▶ Try to assure open and transparent communication between the partners to foster commitment and trust.

7.0 Conclusions and possible further actions

7.1 Conclusions

This study has provided an assessment framework to enable KPIs to be set measuring the effectiveness of labour inspectorates in transforming undeclared work into declared work. In the context of the Platform, measuring the effectiveness of labour inspectorates relates to tackling undeclared work, and at the inception of the Platform, the strategic goal of transforming undeclared work into declared work using a holistic approach was adopted.

Therefore, performance indicators could measure the effectiveness of labour inspectorates in transforming undeclared work into declared work through (i) improving a joining-up of strategy, operations, data collection, sharing and analysis, and social partner involvement, and (ii) improving the range and effectiveness of the tools used to transform undeclared work into declared work

To measure performance on developing a joined-up approach, KPIs are required on the following strategic objectives:

- ▶ Implementing or improving cooperation on strategy with other bodies.
- ▶ Implementing or improving cross-government and cross-border joint and concerted operations.
- ▶ Implementing or improving cross-government cooperation on data collection, exchange, and analysis.
- ▶ Implementing or improving cooperation with social partners.

To measure performance on the policy tools used, KPIs are required on the following strategic objectives:

- ▶ Implementing or improving the effectiveness of sanction tools in transforming undeclared work into declared work.
- ▶ Implementing or improving the effectiveness of tools that improve the risk of detection.
- ▶ Implementing or improving the effectiveness of tools that make declared work easier and more beneficial.
- ▶ Implementing or improving the effectiveness of tools to educate and raise awareness about the benefits of declared work and the importance of labour law compliance.
- ▶ Implementing or improving the effectiveness of tools that modernise the labour inspectorate.

For each of these strategic objectives, the standard steps required to implement the Balanced Scorecard (BSC) method are:

- ▶ Define performance measures linked to each strategic objective.



- ▶ Set the targets for each performance measure.
- ▶ Define accountable business units.
- ▶ Define initiatives needed to improve performance and achieve the targets; and
- ▶ After defining the performance measurement framework at the organisational level, prepare it at the business unit level and the individual level.

To show how this BSC method can be applied in practice, case studies have been conducted with two labour authorities, namely the Latvian State Labour Inspectorate and the Social Information and Investigation Service (SIOD) in Belgium. The case studies have shown the support from these authorities for using the assessment framework to conduct a gap analysis of missing strategic objectives and KPIs, and the BSC method for developing performance measures.

They also reveal some key challenges faced in transforming KPIs and tips on how these can be overcome that are relevant and transferable to authorities in other countries.

7.2 Possible further actions

This assessment framework that tailors the BSC method to the holistic approach could be used by labour inspectorates and other enforcement authorities to:

- ▶ Analyse their current strategy and KPIs against the holistic approach framework.
- ▶ Conduct a gap analysis of missing strategic objectives and performance indicators.
- ▶ Develop and add these to their future strategy

For support from other Platform members in doing this, a Mutual Assistance Project (MAP) could be requested for 2023 or 2024 to help develop these strategic objectives and performance indicators that could be in future included in the strategy of the labour inspectorate or other enforcement authority.

Appendix 1: definitions of ‘undeclared work’

Undeclared work (UDW): any paid activities that are lawful as regards their nature but not declared to public authorities, taking account of differences in the regulatory systems of the Member States. Member States have adopted a variety of different definitions focusing upon non-compliance with either labour, tax and/or social security legislation or regulations.

If there are additional forms of non-compliance, it is not undeclared work. If the goods and services provided are unlawful (e.g., the production or trafficking of drugs, firearms, persons or money laundering forbidden by law), it is part of the wider criminal economy i.e., the *shadow economy* (often defined as including both the undeclared economy and the criminal economy), and if there is no monetary payment, it is part of the unpaid sphere.

- ▶ **Unregistered employment:** an employment relationship which is not registered with the authorities when it should be registered. Such employees often do not have written contracts or terms of employment and their remuneration is most probably undeclared in nature.
- ▶ **Under-declared employment:** when formal employers pursue the illegal practice of reducing their tax and social security payments, and therefore labour costs, by under-declaring the remuneration of employees. This occurs when employers pay their formal employees two salaries: an official declared salary and an additional undeclared (‘envelope’) wage which is hidden from the authorities for tax and social security purposes. Alternatively, an employer can under-declare the number of hours an employee works, such as to evade paying the minimum wage.
- ▶ **Envelope wages:** often used in the context of under-declared employment, an envelope wage is a cash-in-hand wage paid by a formal employer to a formal employee in addition to their official declared salary, to reduce their tax and social security payments and therefore labour costs. It arises from an agreement between the employer and employee, and additional conditions may be attached to its payment, which are not in the formal written contract or terms of employment.
- ▶ **Undeclared self-employment:** paid activity conducted by the self-employed where income is not declared for the purpose of evading either tax and/or social insurance contributions owed. The self-employed may not declare either some or all their income.
- ▶ **Bogus self-employment:** often referred to as false self-employment or dependent self-employment, this is commonly understood as involving persons/workers registered as self-employed whose conditions of employment are de facto dependent employment. National legislation and/or court decisions determine this status. This employment status is used to circumvent tax and/or social insurance liabilities, or employers’ responsibilities.

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