



# Data mining to identify under-declared employment

Lithuania

	<p><b>Summary</b></p> <p>Changes were introduced into Lithuania's labour inspectorate's inspection system in 2013. Data mining is used to obtain data on business entities, which are then analysed as part of a risk assessment system and used to identify companies where potential violations of occupational safety and health (OSH) and under-declared work may be occurring.</p>
<p><b>Title of the practice in original language</b></p>	<p><i>Lietuvos Respublikos valstybinės darbo inspekcijos ūkio subjektų darbuotojų saugos ir sveikatos ir nelegalaus darbo rizikingumo vertinimas</i></p>
<p><b>Name(s) of authorities/bodies/ organisations involved</b></p>	<ul style="list-style-type: none"> <li>▶ The labour inspectorate (<i>State Labour Inspectorate of the Republic of Lithuania, SLI</i>).</li> </ul>
<p><b>Sectors</b></p>	<p>All</p>
<p><b>Target groups</b></p>	<ul style="list-style-type: none"> <li>▶ Companies involved in undeclared work (directly targeted).</li> </ul>
<p><b>Purpose of measure</b></p>	<p>Deterrence: improve detection</p>

	<p><b>Aims and objectives</b></p> <p>To improve the rate of detection of companies engaged in occupational safety and health (OSH) violations and/or undeclared or under-declared work, risk assessment-based inspections are carried out.</p>
<p><b>Background context</b></p>	<ul style="list-style-type: none"> <li>▶ Recent efforts of the labour inspectorate have shifted towards the use of counselling, education, and development of social dialogue, with inspections and sanctions seen as 'last resorts';</li> <li>▶ Lithuania's transformation of the inspection system was accompanied by the introduction of an electronic declaration system and risk assessment-based inspections from 2015;</li> <li>▶ The risk assessment system uses ongoing data mining to obtain company data. The data are analysed using more than 60 criteria and the data in the risk assessment system are updated on a quarterly basis.</li> </ul>



### Key objectives of the measure

#### General objective:

- ▶ To improve the rate of detection of companies engaged in occupational safety and health (OSH) violations and/or undeclared or under-declared work.

#### Specific objectives:

- ▶ To use data mining to obtain company data for use in the risk assessment system;
- ▶ To introduce risk assessment-based inspections.

### Main activities

- ▶ The risk assessment system receives data from the labour inspectorate's information system and external data sources, for example, the State Social Insurance Fund Board information system, the State Tax Inspectorate information system, etc.
- ▶ After a risk assessment is conducted, the companies are ranked into three colour-coded categories:
  - ▷ The red zone "Check" - very high risk. The company falls under the priority planned control. Reactive inspections are carried out by the Inspectorate on complaints and notifications received;
  - ▷ The yellow zone "Monitor" - medium risk. The company is not subject to priority proactive inspection (but it may be included in the list of proactive inspections if there are no red zone companies to be inspected). Performance investigations may be carried out without a visit to the company, with the Inspectorate instead requesting the documents and data required for the investigation;
  - ▷ The green zone "Ignore" - low risk. The company is not subject to priority proactive inspection. Investigations may be carried out without a visit to the company, and an electronic inspection may be requested. Received complaints and notifications are not investigated.
- ▶ High-risk companies are inspected proactively no more than once every three years;
- ▶ Companies that are found to be tax compliant are not subject to proactive inspections for three years from the date of their last declaration;
- ▶ Companies on the list of routine quarterly inspections are informed at least 10 days before the inspection;

	<ul style="list-style-type: none"> <li>▶ Where violations of under-declared work are detected, companies are given warnings or sanctions. Sanctions for under-declared work range from EUR 200 to EUR 600 per worker, and from EUR 300 to EUR 1 450 for individual employers (physical persons).</li> </ul>
<b>Funding/organisational resources</b>	<ul style="list-style-type: none"> <li>▶ The risk assessment system is funded through the Europe Fund budget. The overall cost of the Quality Management System, which includes the risk assessment system, was EUR 600 000.</li> </ul>

	<p><b>Outcomes</b></p> <p>The risk assessment system has improved the rate of detection of undeclared and under-declared work. It is evaluated on a yearly basis to ensure that it is effective and plans are in place to update the indicators and criteria used in the system.</p>
<b>Achievement of objectives</b>	<ul style="list-style-type: none"> <li>▶ Every year the labour inspectorate conducts an analysis of the control of undeclared work, during which data on its effectiveness are analysed;</li> <li>▶ Before the installation of the risk assessment system (prior to 2015), the risk of undeclared work occurring was from 15% to 20%. Since the introduction of the system, the risk of undeclared work being discovered increased to around 35-40% (it was 39.7% in 2022);</li> <li>▶ On the one hand the risk assessment system has achieved its goals, helping to improve the detection of undeclared and under-declared work. On the other, the system needs constant updating and in 2023 the labour inspectorate plans to update risk indicators and calibrate the criteria used to assess risk.</li> </ul>
<b>Lessons learnt and success factors</b>	<ul style="list-style-type: none"> <li>▶ Data mining and risk assessment activities help to avoid corruption in the selection of companies for control;</li> <li>▶ Often tax compliance increases when companies know they may be inspected;</li> <li>▶ The biggest problem is the low level of sanctions for employers and the high costs of implementing the system e.g., the cost of contractors to implement new changes.</li> </ul>
<b>Transferability</b>	<ul style="list-style-type: none"> <li>▶ Transferability depends on the level of cooperation between public agencies which will impact the effectiveness and efficiency of detecting and tackling under-declared work;</li> </ul>



- ▶ The political will of national authorities is essential for effective implementation while trust between them is equally important.

## Further information

### Contact

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### Useful sources and resources

**Companies to be inspected for OSH violations in the next quarter**

[https://www.vdi.lt/Forms/Tekstas1.aspx?Tekstai\\_ID=3504](https://www.vdi.lt/Forms/Tekstas1.aspx?Tekstai_ID=3504)