



Factsheet on undeclared work – AUSTRIA

March 2023

¹ This is an update of the [2017 factsheet](#)



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1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

Legal definitions in Austria can be found in the Criminal Code (*Strafgesetzbuch - StGB*), where Article 153e defines 'organised undeclared work' as 'professional recruitment or placement of people in independent or dependent employment without the required registration for social insurance or without the required business license'. The law combating social security fraud (*Sozialbetrugsbekämpfungsgesetz – SBBG*) addresses and specifies several forms of social fraud, namely partial / no payment of social security contributions in the form of undeclared work (envelope wages, bogus part-time work, falsely declared employment), organised undeclared work or bogus registration to the social security system to obtain benefits or to avoid obligations. The Law against wage and social dumping (*Lohn- und Sozialdumping-Bekämpfungsgesetz, LSD-BG* in force since 1 January 2017 and amended in September 2021 to ensure an EU-compliant penalty framework in relation to wage and social dumping²), aims to ensure equal pay conditions for everyone employed in Austria and to ensure fair competition between Austrian and foreign companies. Penalties to companies are imposed if wages and salaries (as provided for in the collective agreements) fall short. The previously mentioned laws are the essential common framework for several institutions involved in combating undeclared work.

1.2 Estimates of undeclared work

Estimates of undeclared work in this section are based on two available sources providing cross-country comparable data: Eurobarometer surveys and the Labour Input Method (LIM) study. Caution is required because of various limitations of the applied methodologies³.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,⁴ in 2019, 5.1 % of total labour input in the private sector in Austria was undeclared (8.7 % in 2013). Therefore, between 2013 and 2019, there has been a decline in undeclared work. This displays the progress in tackling undeclared work. The extent of undeclared work in Austria was lower compared to the EU-27 average (see Figure 1 below).

² Newspaper Der Standard, [New Rules against Wage and Social Dumping as of September](#), 16 June 2021, Vienna, accessed on 9 December 2022.

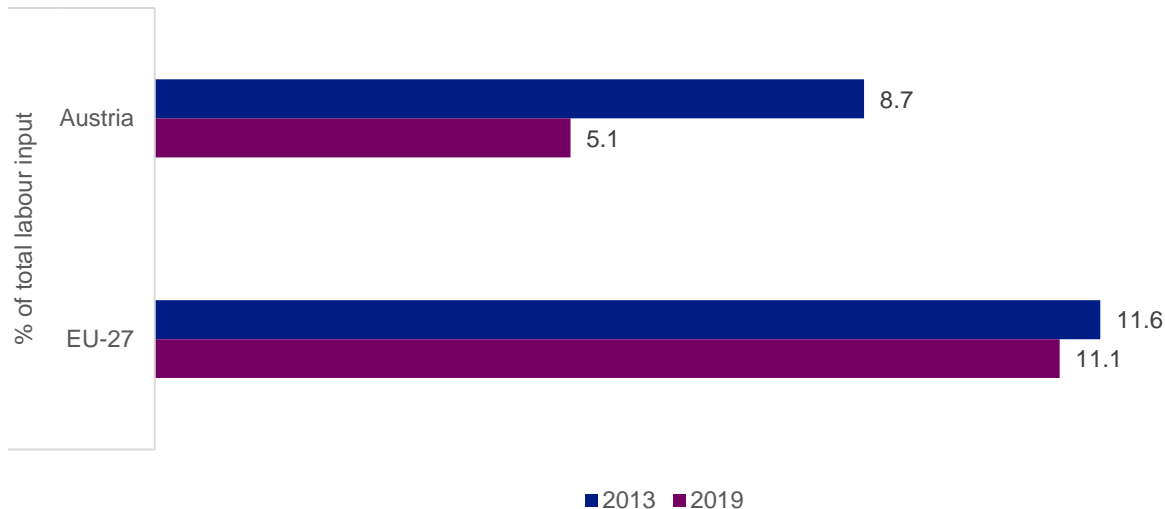
³ Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, but tend to under-report the extent of undeclared work. There is a consensus among both practitioners and academics that a direct approach should be used more to explore the nature of undeclared work in terms of who engages in such work, why they do so, which forms of undeclared work they undertake, and their reasons for doing so. When estimating the magnitude of undeclared work, the consensus is supportive of the use of indirect methods that search for discrepancies in comparable sets of secondary macroeconomic data (i.e. data constructed and/or collected for other purposes). The LIM study is based on the indirect method, whereas Eurobarometer surveys on the direct method.

⁴ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017), [An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method](#), European Commission, Brussels.

Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.



Figure 1. The scale of undeclared work in the private sector in Austria and EU-27, 2013 and 2019



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figures 3 and 6. Retrieved on 30 November 2022.

In Austria, several types of undeclared work exist. Any ranking of the importance of different types suffers from a lack of data and limited comparability. Furthermore, data reporting is irregular or undertaken in a compromised form, so that further distinctions cannot be provided.

- **Undeclared and under-declared work** (e.g. (partly) envelope wages, bogus part-time work, underpayment – where wages and salaries are less than what is provided for in the collective agreements)).

Underpayment is controlled under the LSD-BG including all forms of wages and salaries that fall short of collective agreements. In 2022, the Financial Police uncovered 362 cases of underpayment among 3 212 inspected workers.⁵ In the sector of construction specifically, the Construction Workers Leave and Severance Pay Fund (*Bauarbeiter-Urlaubs- und Abfertigungskasse – BUAK*) found suspected cases of underpayment in a total of 904 companies in 2019. Of these, 116 were Austrian companies (0.8 % of the companies inspected) and 788 were foreign companies, i.e., posting companies (37 % of the companies inspected).⁶

In 2022, 362 cases of underpayment were detected in 1019 enterprises by Financial Police inspections.

The focus of inspections by the Financial Police in 2022 was on incoming company vehicles at the borders with neighbour states of Austria, as well as on the construction industry and companies from states with lower wage levels. There were also checks on companies with COVID-19 subsidies. A total of 1340 focus checks were carried out.⁷ In the first quarter of 2023, the financial police already inspected more than 13 200 workers in 7 200 enterprises in the fight against tax evasion and social fraud. Most of the inspections were carried out in the construction industry (1 792), followed by the gastronomy industry (1 062) and the transport sector (973).

⁵ Federal Ministry of Finance (2023). Report on the implementation of the control plan 2022, Vienna, [Bericht über die Durchführung des Kontrollplanes 2022 sowie der Kontrollplan für das Jahr 2023 \(III-973 d.B.\) | Parlament Österreichh.](#), accessed on 19. September 2023 .

⁶ [BUAK - an Austrian "speciality" - effectively combats wage and social dumping in construction - A&W Blog \(awblog.at\)](#)

⁷ Federal Ministry of Finance (2023). [Bericht über die Durchführung des Kontrollplanes 2022 sowie der Kontrollplan für das Jahr 2023 \(III-973 d.B.\), accessed on 21 August 2023](#)



Especially considerable are the sharp increase in the number of illegal employment of foreigners (+54%) and undeclared work (+24%).⁸

► **Bogus self-employment** (incl. undocumented (irregular migrant) work)

Despite bogus self-employment being continually discussed as a problem, quantitative data are limited. The union estimates that up to two-thirds of people working on the basis of a service contract (one-person-enterprises and 'new self-employed') or free service contract (*Freie Dienstnehmer*) are not employed correctly (cf. www.watchlist-prekaer.at).

Some information on bogus self-employment exists for the construction sector. The 2019 inspections of the Construction Workers Leave and Severance Pay Fund (*Bauarbeiter-Urlaubs- und Abfertigungskasse - BUAK*) identified suspicious cases in relation to bogus self-employment and non-declared activity as well as false part-time reporting.⁹ In 2012, BUAK found indications of possible falsely declared self-employment in 69 % of analysed cases.¹⁰ Massive violations of the law were also found among parcel delivery workers.¹¹

A specific contextual issue is the posting of workers. Austria is one of the main receiving Member States of posted workers. In the year 2021 220 629 PDs (portable documents) A1 for posted workers were received in Austria. In contrast only 41 095 PD A1 were issued by Austria for posted workers.¹² Despite several improvements in recent years, it can be assumed that not all postings are reported to the authorities. Another important issue in this context is the bogus posting of workers and the prevention of forgery and falsification of PD A1. Inspection results repeatedly show cases of violations of the reporting requirements as well as several forms of incorrect payments.¹³

In around 54 000 checks carried out by the Financial Police in 2021, it was found that more than 8 000 employees were illegally employed EU foreigners or third-country nationals.¹⁴ In the first half of 2022, 1 400 illegally employed persons were detected by the Financial Police.¹⁵ These cases increased in the first half of 2023 to 1 516. Furthermore, the illegal employment of foreigners increased in comparison with the previous

⁸ Austrian Ministry of Finance (2023), Press Release, [Massiver Anstieg bei illegaler Ausländerbeschäftigung und Schwarzarbeit](#), accessed on 22 August 2023

⁹ [BUAK - an Austrian "speciality" - effectively combats wage and social dumping in construction - A&W Blog \(awblog.at\)](#)

¹⁰ Riesenfelder, A. & Wetzels, P. (2013). 'New forms of working at the interface between independence / dependence. Analysis of the situation in the construction industry' (Neue Arbeitsformen im Grenzbereich Selbständigkeit/Unselbständigkeit. Analyse der Situation in der Bauwirtschaft), Study on behalf of the Chamber of Labour, Vienna, [https://www.lrsocialresearch.at/files/Endbericht_L&R_Sozialforschung_Neue_Arbeitsformen_Grenzbereich_SB-UB_-_Bau_\(6\).pdf](https://www.lrsocialresearch.at/files/Endbericht_L&R_Sozialforschung_Neue_Arbeitsformen_Grenzbereich_SB-UB_-_Bau_(6).pdf), accessed on 14 April 2023.

¹¹ [Massive Gesetzesübertretungen bei Paketzustellern aufgedeckt \(bmf.gv.at\)](#), accessed on 19.09.2023

¹² De Wispelaere, F., De Smedt, L., & Pacolet, J. (October 2022). 'Report on A1 Portable Documents issued in 2021', study on behalf of the European Commission, Directorate General for Employment, Social Affairs and Inclusion, <https://ec.europa.eu/social/BlobServlet?docId=26689&langId=en>, accessed on 19. September 2023

¹³ Schmatz, S. & Wetzels, P. (2012). 'Developments in the field of wage dumping' ('Entwicklungen im Bereich Lohndumping'), on behalf of the Chamber of Labour, Vienna, [https://www.lrsocialresearch.at/files/Lohndumping_Endbericht_\(2014-05-16\).pdf](https://www.lrsocialresearch.at/files/Lohndumping_Endbericht_(2014-05-16).pdf), accessed on 18 April 2023; and Riesenfelder, A., Schelepa, S. & Wetzels, P. (2012). 'Monitoring of the opening of the labour market - Effects on forms of employment and wage dumping' ('Monitoring der Arbeitsmarktoöffnung - Auswirkungen auf Beschäftigungsformen und auf Lohndumping'), Study on behalf of the Chamber of Labour, Vienna; https://www.ssoar.info/ssoar/bitstream/handle/document/42254/ssoar-2012-riesenfelder_et_al_Monitoring_der_Arbeitsmarktoeffnung_-_Auswirkungen.pdf;jsessionid=7DFB8D80D51A0A06AD8A2FCE1299B277?sequence=1, accessed on 18 April 2023.

¹⁴ Austrian Ministry of Finance (2022), Press Release, [Financial police: 36 million euros in fines requested for 28,000 checks in 2021](#), 6 April 2022, Vienna, accessed on 17 November 2022.

¹⁵ Newspaper Kurier, [Financial police already discovered 1,400 illegal workers this year](#), 17 August 2022, Vienna, accessed on 18 November 2022.



year. In the first half of 2022, 1 331 illegally employed foreigners were found. By the first half of 2023, the Financial Police had already handled 1 796 cases.¹⁶

But back in 2015, the Financial Police detected 11 961 illegally employed persons,¹⁷ corresponding to 20.6 % of all controlled employed by the Financial Police.

In the entire year of 2022 the Financial Police detected approximately 11 000 illegally employed EU foreigners or third-country nationals, along with 5 000 cases involving under-declared work.¹⁸ According to a 2019 Eurobarometer survey, undeclared work¹⁹ is widespread in the agriculture, transportation and hospitality (hotel, restaurant, tourism) sectors.

Undeclared work is more likely to be found in SMEs than in larger enterprises²⁰, where the possibility of staff councils is higher.

Main motivators for undeclared work include the possibility to earn more or some 'extra' money, or to find a paid job opportunity, which could be true for the unemployed as well as irregular migrants with no or very restricted labour market access. However, results from the Eurobarometer survey for 2020²¹ show that problems in finding work is clearly less significant in Austria than the EU 27-average (4 % vs. 12 %). For Austrians who had undertaken undeclared paid activities in the past year, the main reason was that "both parties benefited from it" (65 % vs. 32 % EU-27). Another factor mentioned that places Austria above the EU-average concerns is the explanation that people "[...] believe that intentionally not declaring small secondary income is perfectly acceptable" (31 % vs. 21 % EU-27), as well as "Bureaucracy or red tape for minor or occasional activities is too complicated" (19 % vs. 14 % EU-27).²²

Two thirds of the Austrian population see undeclared work as a mere peccadillo, which reflects a stable trend since the mid-1990s. According to the survey, two thirds of the population have the impression that, especially during the recent and ongoing crises such as the outbreak of the COVID-19 pandemic or the increase of energy but also food prices due to the war in Ukraine, many things can no longer be afforded without undeclared work. Furthermore, trust in state institutions has also declined with the crises. Only 43 % were satisfied with the goods and services offered by the government. In previous years, 70 % of respondents were still satisfied.²³

In 2022, awareness of the injustice of undeclared work seems still low. Almost two-thirds of the population (62 %) show tolerance towards undeclared work, according to media articles citing the shadow economy expert Schneider. There is also a lot of acceptance for doing undeclared work oneself, which almost a third of the population (32 %) finds 'absolutely okay'. 64 % argue that many things are only affordable through undeclared work. And for 43 %, undeclared work is the state's own fault because of the high tax burden.²⁴

¹⁶ Austrian Ministry of Finance (2023), Press Release, [Financial police requested more than 11 million euros in penalties in the first half of the year](#), accessed on 22 August 2023

¹⁷ Federal Ministry of Finance (2016), 'The Austrian tax and customs administration, Annual Report 2015' (Die österreichische Steuer- und Zollverwaltung, Geschäftsbericht 2015), Vienna, https://www.bmf.gv.at/dam/jcr:21cf5019-c3c7-4556-8bbf-bb1ae272f4d7/BMF-BR_Geschaeftsbericht_Steuer_u_Zollverwaltung_2015.pdf, accessed on 18 April 2023.

¹⁸ [Austrian Ministry of Finance \(2023\), Press Release, Financial police applied for penalties of 18.5 million euros in 2022 for 27,000 checks carried out](#), accessed on 22 August 2023

¹⁹ European Commission, 'Undeclared work in the European Union', Special Eurobarometer 498, 2020.

²⁰ Austrian Chamber of Commerce, bogus self-employment, <https://www.wko.at/>, accessed on 18 December 2022.

²¹ European Commission, 'Undeclared work in the European Union', Special Eurobarometer 498, 2020, <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=72319>, accessed on 30 November 2022.

²² European Commission, 'Undeclared work in the European Union', Special Eurobarometer 498, 2020, <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=72319>, accessed on 30 November 2022.

²³ Newspaper Kurier, Undeclared work as increased strongly in Austria this year, [Schwarzarbeit hat in Österreich heuer stark angezogen | kurier.at](#), 30 November 2022, Vienna, accessed on 18 December 2022.

²⁴ Newspaper Tiroler Tageszeitung, 'Shadow economy: price push fuels bungling in Austria', 6 July 2022, Innsbruck, accessed on 17 November 2022.

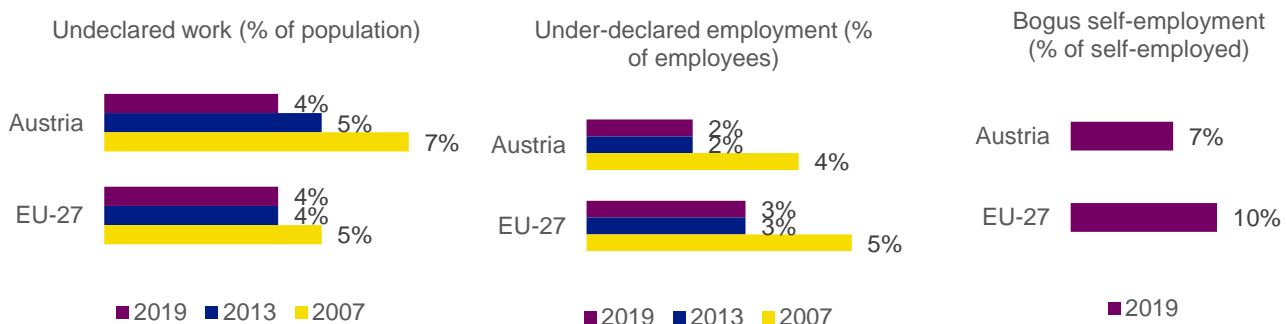


Recent studies show that undeclared work continues to gain importance. In 2020, it grew by 12 % to EUR 26.9 billion – an equivalent of 7.2 % of the official GDP and the highest increase in 20 years.²⁵ In 2022, it is expected that EUR 28.72 billion – or 6.8 % of the anticipated GDP – will have been gained within the so-called shadow economy.²⁶

In 2022, EUR 28,72 billion – an equivalent of 7,2 % of the official GDP was gained within the so-called shadow economy²⁷ And a grow up to 7,9 % is expected in 2023. ²⁸

The figures below indicate the current state and development of undeclared work, under-declared and bogus self-employment between 2007 and 2019 for Austria, based on Eurobarometer surveys. It should be noted that this is not a measure of the size of the undeclared economy. It only measures the proportion of the population who have engaged in undeclared work in the past 12 months. In some Member States, undeclared work may be more characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships²⁹

Figure 2. Composition of undeclared work, Austria and EU-27, 2007, 2013, 2019



Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

There are also marked differences in the prevalence of undeclared work in different types of employment relationship. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationship, namely self-employment, dependent waged employment, and family work. Analysing the 2019 Labour Input Method (LIM) estimates³⁰, in Austria, 4.4 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 10.7 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 10.9 %.³¹

²⁵ Newspaper Wiener Zeitung, <https://www.tagblatt-wienerzeitung.at/nachrichten/kultur/film/2194112-Willst-du-schnell-gehen-geh-allein-willst-du-weit-kommen-geht-zusammen.html>, accessed on 10 December 2021, Vienna.

²⁶ Newspaper Tiroler Tageszeitung, 'Shadow economy: price push fuels bungling in Austria', 6 July 2022, Innsbruck.

²⁷ [Wirtschaftskammer Österreich](#), accessed on 22 August 2023

²⁸ Statista.com [Verhältnis der Schattenwirtschaft zum Bruttoinlandsprodukt in Österreich 2023](#), accessed on 22 August 2023

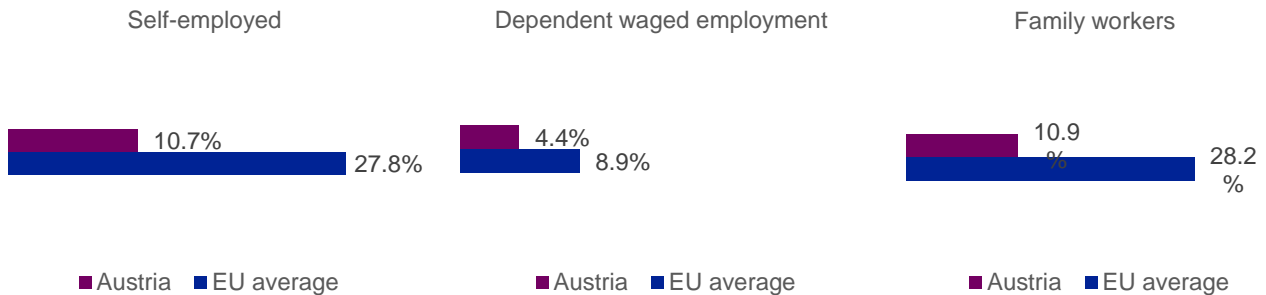
²⁹ Williams, C.C and Horodnic I.A. (2020). Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

³⁰ Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

³¹ This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.



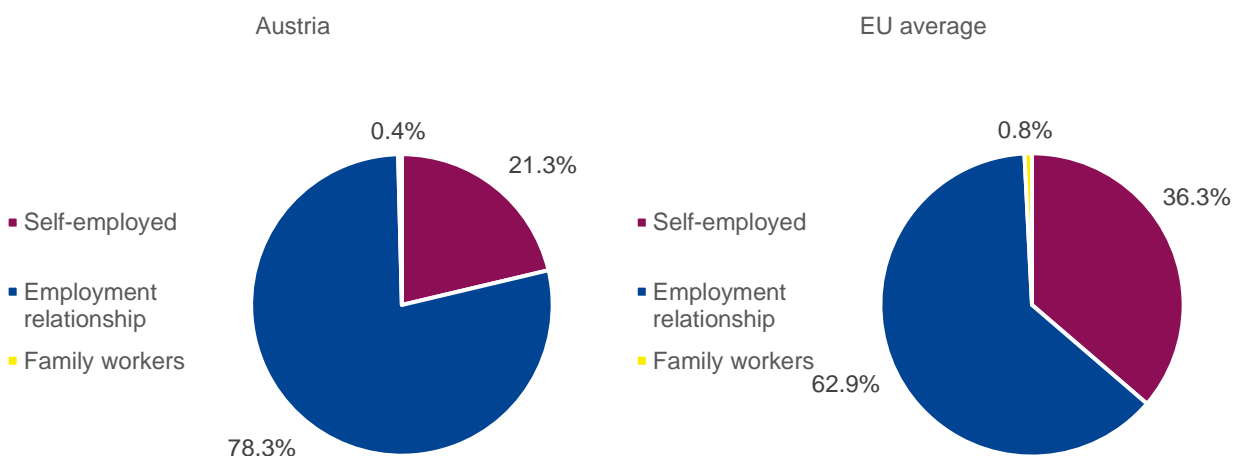
Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Austria, EU-27 average, 2019



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Table 2. Retrieved on 30 November 2022.

Analysing the structure of the undeclared labour market in Austria in 2019 using the LIM estimates,³² the proportion of undeclared labour input that is waged employment is 78.3 % (62.9 % in the EU-27), 21.3 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input that is family work is 0.4 % (0.8 % in the EU-27) as indicated in Figure 4 below. Therefore, compared with the EU-27, waged employment is a larger proportion of undeclared work and self-employment a smaller share. This has implications for tackling undeclared work.

Figure 4. Structure of the undeclared labour market in the private sector, Austria and EU-27, 2019.



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figure 8. Retrieved on 30 November 2022.

³² Franic, J., Horodnic, I.A. and Williams, C.C. (2022).



2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

Table 1. Overview of key institutional features in Austria

Key institutional feature	Existence
A high-level coordinating body in the country	No
A national strategy for tackling undeclared work	No
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	No

In Austria, there are several authorities with responsibilities for identifying, tackling and/or preventing undeclared work.

- ▶ The **Anti-Fraud Office (*Amt für Betrugsbekämpfung*)**³³ (which merges the tax and social fraud units of the **Federal Ministry of Finance (*Bundesministerium für Finanzen* or in short *BMF*)**³⁴. This ensures a coordinated and efficient strategic and nationwide operational control of the preventive and repressive fight against fraud within the Ministry of Finance. The Office for the Prevention of Fraud is set up as an Austria-wide financial criminal (with the exception of customs) and service authority and consists of the following business areas: -financial criminal matters, -financial police, -tax investigation, and –central office for international cooperation.
- ▶ The **Financial Police (*Finanzpolizei*)**³⁵, based within the Office for the Prevention of Frauds since 1 January 2021, is a professional investigation and control unit. The core task of the Financial Police is to carry out targeted controls in order to uncover tax evasion, social fraud, organised shadow economy, the detection of the illegal employment of foreigners, and combating wage and social dumping in the posting of workers and thus to protect the financial interests of the Republic of Austria. The Financial Police is also responsible for several regulatory policy measures, in particular labour market tasks (e.g., detection of violations of the provisions of the Wage and Social Dumping Prevention Act (LSD-DB), of the reporting obligations of the Unemployment Insurance Act (AIVG), and of violations in connection with national and international labour leasing) as well as controls under the Social Welfare Fraud Act and LSD-BG.

Following the 2019 general elections in Austria, the competencies related to undeclared work of the Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK) were split among the **Federal Ministry for Labour and Economy (BMAW)** and the **Federal Ministry for Social Affairs, Health, Care and Consumer Protection (BMSGPK)**.

³³ Anti-Fraud Office (*Amt für Betrugsbekämpfung*), [Anti-Fraud Office \(bmf.gv.at\)](https://www.bmf.gv.at), general email address: Post.ABB-Finpol-ZKO@bmf.gv.at, accessed on 8 December 2022.

³⁴ Austrian Federal Ministry of Finance (*Bundesministerium für Finanzen*), [Austrian Ministry of Finance \(bmf.gv.at\)](https://www.bmf.gv.at), relevant contacts: [Contact-Enquiries to the Ministry of Finance \(bmf.gv.at\)](https://www.bmf.gv.at), accessed on 8 December 2022

³⁵ Austrian Federal Ministry of Finance, Financial Police, '[Finanzpolizei \(bmf.gv.at\)](https://www.bmf.gv.at)', accessed on 21 November 2022.



- ▶ **The Federal Ministry for Labour and Economy (BMAW)**³⁶ is responsible for labour market immigration issues³⁷. The Federal Ministry for Labour and Economy is also the seat of the Labour Inspection³⁸, which is the biggest legally commissioned organisation for combating deficits in the safety and health at work places in Austria. The Labour Inspection supervises the work of 14 regional Labour Inspectorates and one Labour Inspectorate for Construction. Their role is to be safeguarding the life and health of the working population.³⁹
- ▶ The **Federal Ministry for Social Affairs, Health, Care and Consumer Protection (BMSGPK)**⁴⁰ which is in charge of the general social insurance law (ASVG) and the LSD-BG, where the Competence Centre (LSDB) at the **Vienna Regional Health Insurance Fund**⁴¹ was established as a main authority in the context of controlling underpayments. It cooperates closely with the Financial Police (in the case of foreign cases) and the other regional Health Insurance Funds (in the case of domestic cases). Furthermore, cooperation exists with the **Construction Workers Leave and Severance Pay Fund (BUAK)**⁴², which is mainly responsible for identifying and preventing undeclared work in the construction sector.
- ▶ The **Austrian Health Insurance Institutions**⁴³ are responsible for collecting contributions for all branches of Austrian social security⁴⁴ as well as a wide array of other wage-dependent levies (in particular the General Austrian Health Insurance Fund (*Österreichische Gesundheitskasse, ÖGK*) for employees and the Social Security Service for Entrepreneurs, Industry and Farmers (*Sozialversicherung der Selbstständigen, SVS*)⁴⁵). In this respect, the health insurance institutions not only act as a “payment hub” by forwarding the respective contributions or levies to the corresponding institutions; they also legally represent those other institutions in all collection-related matters, e.g. recovery or liability-proceedings, bankruptcy proceedings or even criminal proceedings. In order to ensure compliance with contribution obligations they audit employers together with the fiscal authorities in the framework of a joint audit of wage-dependent contributions (*GPLB – Gemeinsame Prüfung lohnabhängiger Beiträge*) and have the power to initiate inspections on an ad-hoc basis, where they are frequently confronted with different types of undeclared work.
- ▶ The **Public Employment Service (PES), Arbeitsmarktservice in German or AMS in short**⁴⁶, responsible for inspections under the AuslBG in the context of issuing employment permits, checks to ensure that the employer complies with the given payment and working conditions including social security rules (Act Governing the Employment of Foreign Nationals - AuslBG Article 4 (1) Z 2) and similarly, that they comply with the given rules in the context of issuing posting permits. On 12 October 2022, a majority of the National

³⁶ Federal Ministry of Labour and Economy (Bundesministerium für Arbeit und Wirtschaft ([Federal Ministry of Labour and Economy \(bmaw.gv.at\)](https://www.bmaw.gv.at/)), accessed on 21 November 2022.

³⁷ Austrian Federal Ministry of Labour and Economy, Labour Market '[Arbeitsmarkt \(bmaw.gv.at\)](https://www.bmaw.gv.at/)', accessed on 21 November 2022.

³⁸ See Die Arbeitsinspektion at [arbeitsinspektion.gv.at](https://www.arbeitsinspektion.gv.at/), accessed 23 May 2023.

³⁹ Labour Inspection (2022), Organisation, Rights and Obligations.

⁴⁰ Federal Ministry for Social Affairs, Health, Care and Consumer Protection (Bundesministerium für Soziales, Gesundheit, Pflege und Konsumentenschutz), <https://www.sozialministerium.at/en.html> relevant contacts: [Contact us \(sozialministerium.at\)](https://www.sozialministerium.at/en.html#contact), accessed on 8 December 2022.

⁴¹ Austrian Health Insurance Institutions ([Österreichische Gesundheitskasse](https://www.oegkportal.at/)), relevant contacts: oegkportal, accessed on 8 December 2022.

⁴² Construction Workers Leave and Severance Pay Fund (*Bauarbeiter-Urlaubs- und -Abfertigungskasse*), [BUAK - Home](https://www.buak.at/), accessed on 8 December 2022.

⁴³ Austrian Health Insurance Institutions ([Österreichische Gesundheitskasse](https://www.oegkportal.at/)), relevant contacts: oegkportal, accessed on 8 December 2022.

⁴⁴ Austrian social security (*Österreichische Sozialversicherungen*), [Willkommen am Portal der österreichischen Sozialversicherung](https://www.svs.at/), relevant contacts: [Kontaktdaten der Sozialversicherungsträger](https://www.svs.at/), accessed on 8 December 2022.

⁴⁵ Social Security Service for Entrepreneurs, Industry and Farmers (*Sozialversicherung der Selbstständigen*), [Willkommen bei der Sozialversicherung der Selbstständigen \(svs.at\)](https://www.svs.at/), relevant contacts: [Kontakt \(svs.at\)](https://www.svs.at/), accessed on 8 December 2022.

⁴⁶ Public Employment Service (Arbeitsmarktservice (AMS)), [Service für Arbeitssuchende » online informieren | AMS](https://www.ams.at/), relevant contacts: [Kontaktmöglichkeiten » alle Informationen | AMS](https://www.ams.at/), accessed on 8 December 2022.



Council approved an amendment to the act, aiming to avoid hardship cases when foreign workers are found to have engaged in undeclared work unintentionally and are consequently barred from employment.⁴⁷

In addition, social partners (*Sozialpartner*)⁴⁸ play an important role in the legislative process as well as in providing counselling for employees and employers, like in the helpdesk ‘UNDOK’ set up for un(der)documented workers, founded by trade unions.

2.2 Cooperation and collaboration between authorities and cross-border authorities

2.2.1 The legal basis

The main legal basis for the work of authorities involved in tackling undeclared work are as follows:

Table 2. Key authorities and their legal basis to tackle undeclared work

Authority	Legal framework
Federal Ministry of Finance; Anti-Fraud Office; Competence Centre (LSDB); Health insurance institutions	Anti-wage and social dumping act (<i>Lohn- und Sozialdumping-Bekämpfungsgesetz, LSD-BG</i>)
Federal Ministry of Finance; Anti-Fraud Office; Health insurance institutions; Federal Ministry of Labour and Economy	Combating Social Security Fraud Act (<i>Sozialbetrugsbekämpfungsgesetz – SBBG</i>)
Federal Ministry of Labour and Economy; Labour Inspection	Labour inspection law (<i>Arbeitsinspektionsgesetz 1993 – ArbIG</i>)
Federal Ministry of Agriculture, Forestry, Regions and Water Management	Agricultural Labour Act (<i>Landarbeitsgesetz, LAG</i>)
Federal Ministry of Finance; Tax Authority – federal and municipal level	Austrian Federal Tax Code (<i>Bundesabgabenordnung, BAO</i>)
Federal Ministry of Finance; Federal Ministry of Labour and Economy	Act Governing the Employment of Foreign Nationals (<i>Ausländerbeschäftigungsgesetz, AuslBG</i>)
Federal Ministry of Labour and Economy; Public Employment Service (<i>Arbeitsmarktservice, AMS</i>)	Unemployment Insurance Act (<i>Arbeitslosenversicherungsgesetz, AIVG</i>)
Federal Ministry of Labour and Economy; District Administration Authorities (<i>Bezirksverwaltungsbehörden</i>)	Trade Regulation Act (<i>Gewerbeordnung, GewO</i>)
Federal Ministry of Social Affairs, Health, Care and Consumer Protection; Health, accident and pension insurance institutions	General Social Security Law (<i>Allgemeines Sozialversicherungsgesetz, ASVG</i>)

⁴⁷ Austrian Press Agency, National Council adopts amendments to Foreigners' Employment Act to avoid hardship cases, [Nationalrat beschließt Änderungen des Ausländerbeschäftigungsgesetzes zur Vermeidung von Härtefällen | Pressedienst der Parlamentsdirektion – Parlamentskorrespondenz, 12.10.2022 \(ots.at\)](#). 12 October 2022, Vienna, accessed 18 December 2022; Austrian National Council, Parliamentary Correspondence Nr. 1120, National Council adopts amendments to the Employment of Foreign Nationals Act to avoid hardship cases, [Nationalrat beschließt Änderungen des Ausländerbeschäftigungsgesetzes zur Vermeidung von Härtefällen \(PK-Nr. 1120/2022\) | Parlament Österreich](#). 12 October 2022, Vienna, accessed on 18 December 2022.

⁴⁸ Social partners (*Sozialpartner*), [Sozialpartner](#), relevant contacts: [Sozialpartner](#), accessed on 8 December 2022.



Federal Ministry of Finance; Tax authority	Income Tax Act (<i>Einkommensteuergesetz, EStG</i>)
Federal Ministry of Labour and Economy	Temporary Work Agency Act (<i>Arbeitskräfteüberlassungsgesetz, AÜG</i>)

Source: ELA, (2022), Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.

2.2.2 Cooperation between authorities in Austria

As mentioned before, several institutions are involved and the issue of cooperation and collaboration is repeatedly discussed with the aim of strengthening the interfaces and establishing enhanced information flows. Under the law of combating social security fraud (*Sozialbetrugsbekämpfungsgesetz – SBBG*; taking effect by 2016) cooperation between the relevant authorities/institutions will be intensified, especially through the establishment of a 'social fraud database' for the purpose of detecting and easier identification of fraud cases under §§ 153f of the Criminal Code.

Collaboration between the finance administration and the social security institutions has been happening since 2003 in the joint audit of all wage-dependent contributions (GPLB). This process also includes the inspection of underpayment in the case of national employers according to the LSD-BG.

Other forms of cooperation are for example the establishment of a construction-site database. In 2012, BUAK in cooperation with the Labour Inspection and the Labour Inspectorate for Transport started a web application for the announcement of construction-sites which, among other things, facilitates targeted inspection activities.

In support of un(der)documented workers the counselling centre 'undok' was established in 2014 by several trade unions, the Chamber of Labour and several NGOs (see, www.undok.at).

2.2.3 Cooperation with other Member States

Besides the cooperation of national authorities, the cooperation between the Member States has been frequently discussed as problematic. One issue is for example that a company with a legal violation detected in Austria or bogus companies can still operate in other EU countries. In general cooperation between the Member States is described by experts as not guaranteed and is extremely resource-intensive (concerning time and costs) (cf. for example in the context of LSD-BG: Schmatz/Wetzel 2014). As regards the collaboration with the neighbouring country Germany, a treaty on the cooperation to combat transnational undeclared work and irregular transnational labour leasing is in effect since 1 August 2013.⁴⁹

At sectoral level, the European [project called 'Tackling Undeclared Work in the Construction Sector' \(TUWIC\)](#) has brought together employers' federations, trade unions and enforcement authorities in the construction industry in seven countries: Austria, Belgium, Bulgaria, France, Italy, Romania and Spain. In each country, trade unions, employers' federations and enforcement authorities in the construction sector worked together to develop a range of policy initiatives across the full spectrum of possible measures to tackle undeclared work in the sector. This project finalised with a joint statement by the European social partners in 2020, with concrete recommendations for tackling undeclared work and social fraud in the construction sector.⁵⁰

⁴⁹ Legal Information System of the Federal State, Federal law consolidated: Overall legal regulation for cooperation in combating transnational undeclared work and irregular transnational labour leasing (Germany), [RIS - Zusammenarbeit bei der Bekämpfung grenzüberschreitender Schwarzarbeit und illegaler grenzüberschreitender Leiharbeit \(Deutschland\) - Bundesrecht konsolidiert, Fassung vom 18.12.2022 \(bka.gv.at\)](#), accessed on 18 December 2022.

⁵⁰ [Joint statement by the European social partners in the construction sector](#). Concrete recommendations for tackling undeclared work and social fraud in the construction sector. Brussels, 24 September 2020.



3.0 Policy focus and measures

3.1 Policy approach

The 2022 holistic approaches study⁵¹ indicates that four types of measures are commonly used in Austria to tackle undeclared work - predominantly the use of:

- ▶ Penalty measures;
- ▶ Initiatives to increase the risk of detection (e.g. inspections);
- ▶ Incentives to make declared work easier and more beneficial;
- ▶ Education and awareness-raising campaigns and initiatives to modernise authorities to improve trust in government.

Annex 1 provides more detail on the specific policy measures used to tackle undeclared work.

3.2 Main policy measures

The table below provides a summary overview of measure to tackle undeclared work in Austria.

Overview of measures to tackle undeclared work

Deterrence approaches	Criminal Code (<i>Strafgesetzbuch - StGB</i>)
	Law against wage und social dumping (<i>Lohn- und Sozialdumping-Bekämpfungsgesetz, LSD-BG</i>)
	Law combating social security fraud (<i>Sozialbetrugsbekämpfungsgesetz – SBBG</i>)
	Customer Liability Act
	Reporting obligations (e.g. BUAK: reporting of the extent and the location of the working time of part-time workers)
	Prohibition of envelope wages in the construction sector
	Mandatory cash register rule
Enabling approaches	Reform of the Federal Procurement Act 2015
	Tax Reform 2015 - Easing the income tax burden
	Funding of craftsmen service provision
	Construction site Database

⁵¹ Williams, C. and I. Horodnic (2022). Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022. European Platform tackling undeclared work, https://www.ela.europa.eu/sites/default/files/2022-05/UDW_Study_report_on_progress%20towards%20%20holistic%20approach_2022-EN_1.pdf, accessed on 30 November 2022.



	Service Voucher
	BauID-card – (identity check via app) ⁵²
	Counselling for workers concerned – UNDOK

The **Law against wage und social dumping** (LSD-BG) introduced penalties, particularly if the employer does not pay the employee’s remuneration as stipulated in collective bargaining agreements. Penalties are also imposed if relevant employment contracts do not exist. With the new LSD-BG, customer liability rules were tightened, e.g., by establishing a contractor liability for the building sector to hedge wage claims of cross-border posted or temporary workers. If foreign construction workers are underpaid by their company, they can make their claims to the Austrian contractor. Customer liability rules are also defined in the **law combating social security fraud** (SBBG). Contracting companies are liable as a guarantor and payer from the date of the final determination that a company is a bogus company. The liability rules apply to all claims paid for services of employees. This was an important extension, as so far liability rules (**Customer Liability Act**, *AuftraggeberInnen-Haftungsgesetz*⁵³) had focussed on the construction sector only. In general, the law aims to reduce social fraud by several measures, like new and intensified cooperation structures between relevant institutions (cf. above), easier mechanisms to identify bogus companies and by reducing misuse of e-cards, mainly through increased monitoring. To combat bogus self-employment, the **Social Insurance Allocation Act** (*Sozialversicherungs-Zuordnungsgesetz*, SV-ZG: in force since 1st of July 2017) increased legal certainty by delimitating self-employed persons and employees. The type of employment, i.e., “new self-employed persons” and certain groups of operators of a free trade, are determined with binding effect by the Social Security Institutions in advance.

Reporting obligations exist in different ways. One measure addressing a specific form of undeclared work - bogus part-time work – was introduced in the construction sector. The BUAK observed a rising number of part-time workers.⁵⁴ Since 2014 the extent and the location of the working time of part-time workers, including any changes, has to be reported to the BUAK.

Furthermore, the tax reform 2015 brought the introduction of a **mandatory cash register** as of 2016. All businesses must record their cash sales electronically when they exceed the threshold of EUR 15 000 revenues and EUR 7 500 cash revenues per year. For such cases, electronic cash register systems must be in use and should reduce the possibility of undeclared money transactions. Since 2017, cash register systems must also be equipped with protection against manipulation. Exceptions or exemptions from the cash register obligation are possible for certain types of entrepreneurs and revenue, such as “outdoor revenues” under the so called “Kalt-Händeregelung”, up to EUR 30 000 per year.⁵⁵

Enabling approaches also exist. **Easing the tax burden on labour** in the framework of the tax reform 2015 may be perceived as a preventive measure in the context (cf. EEPO Annual Policy Update, September 2015).

The reform of the **Federal Procurement Act** 2015 brought some relevant changes with the aim to combat more effectively wage and social dumping in public procurement. The use of subcontractors gets more regulated and

⁵² <https://bauid.at/die-bauid-karte/>

⁵³ Bartos, Beatrix, ‘The new contractor liability in the fight against social fraud’ (‘Die neue Auftraggeberhaftung im Kampf gegen Sozialbetrug’), Internet; <https://docplayer.org/11662383-Die-neue-auftraggeberhaftung-im-kampf-gegen-den-sozialbetrug.html>, Vienna.

⁵⁴ In the 2nd quarter of 2011 (start of high season in the construction sector) the part-time quota for ‘Building and related trades workers, excluding electricians’ stood at around 3 % and climbed to over 6 % in 2014. In 2015 a reduction to 5 % was observed.

⁵⁵ WKO, Cash register obligation for entrepreneurs, Internet accessed on 22. August 2023



controlled. For certain services (e.g., construction contracts from a value of EUR 1 million) the award must be given to the bid which is most economically advantageous instead of the bid with the lowest price.

In 2014 and 2015 **funding of craftsmen service provision** existed. The costs for refurbishment and modernisation of flats and houses of private persons were subsidised, if the work was carried out by licensed craftsmen. Only labour costs were eligible but no costs for materials. The subsidy amounted to 20 % of the labour costs up to a maximum of EUR 600. Currently a re-introduction of the provision is being discussed. The measure showed a high take-up rate, but also according to an evaluation, deadweight-effects. At the same time another study indicated it led to rising tax revenues.⁵⁶

In 2012, a **construction site database** was implemented (as already stated above). Beside the BUAK and Labour Inspection⁵⁷, also the finance police and the health insurance providers have access to the data, so that in sum targeted and planned checks and controls can be more easily carried out.

Since its introduction in 2006, the number of **household service vouchers** purchased has increased from 59 820 to 337 328 in 2017, with the budget for the scheme increasing from EUR 872 427 to EUR 10 186 705 across the same period. Alongside this, the numbers of service users of the voucher scheme increased from 2 317 households in 2006 to 13 278 households in 2017 while the number of personal and household service (PHS) workers increased from 2 038 in 2006 to 10 881 workers in 2017. According to the Insurance Association for Railways and Mining Workers (VAEB), the household service vouchers led to a formalisation of 1.55 million working hours from 2006 to 2013, assuming an average hourly cost of EUR 11. The introduction of the household service voucher system has therefore contributed to formalising the contractual relation between some households and household service workers.⁵⁸

In 2021, the so-called “BauID-card” was introduced as part of the “Bau-ID-System”.⁵⁹ The “BauID-Card is a card for construction workers that can be used on construction sites by the person in charge and by the state control bodies (financial police, BUAK) to check whether the legal provisions in Austria – such as registration with the ÖGK (Austrian Health Insurance Fund) and the BUAK – are actually complied with. In the case of posted workers, an additional check is made as to whether a posting notification has been submitted and whether the necessary labour market permits have been obtained.

As already mentioned, UNDOK, is a relatively new initiative to support un(der)documented workers in Austria. Within the first year of activity nearly 150 persons used the offer.⁶⁰

3.3 Good practices⁶¹

Good practices in tackling undeclared work have been explored by the European Platform tackling undeclared work. The following good practices addressing undeclared work are identified in Austria:

- ▶ [ÖQZ 24 care and quality certificate for placement agencies](#) (2022): Placement agencies providing 24-hour care support are encouraged to obtain the Austrian Quality Certificate for 24-hour care (ÖQZ 24) to demonstrate that they meet higher quality standards beyond the legal requirements, a voluntary measure awarded by the

⁵⁶ Reports are not published. Internet: <http://derstandard.at/2000029006842/Kraeftiges-Lobbying-fuer-einen-Handwerkerbonus-neu>.

⁵⁷ See Die Arbeitsinspektion at arbeitsinspektion.gv.at, accessed 23 May 2023.

⁵⁸ See <https://www.ela.europa.eu/sites/default/files/2021-09/AT%20UDW%20Factsheet%202017%20-%20Austria.pdf>

⁵⁹ <https://bauid.at/die-bauid-karte/>, accessed 19 September 2023

⁶⁰ UNDOK, ‘Summary – 1 year UNDOK’ (‘BILANZ – 1 JAHR UNDOK-ANLAUFSTELLE’), Vienna, 2015. Available at: <http://undok.at/wp-content/uploads/2014/06/Bilanz-1-Jahr-UNDOK-Anlaufstelle.pdf>.

⁶¹ [Virtual library | European Labour Authority \(europa.eu\)](#)



Ministry of Social Affairs. It helps to attract more clients and discourage undeclared work in the health care sector.

- ▶ [Household Service Vouchers](#) (*Dienstleistungsscheck*) (2018). The household service vouchers are used by households to pay for personal and household services (i.e., childcare, gardening, cleaning etc.). They legitimise these services, giving people working in households access to accident insurance and voluntary health and pension insurance. This scheme aims to curb undeclared work, improve the social protection of workers in the sector and to increase employment opportunities.
- ▶ [Quality seal for light transportation vehicles](#) (2018). The Quality seal, developed by the Chamber of Commerce, is awarded to businesses in the light transport sector which comply with labour regulations, such as proper vehicle registration, tax payment and accounting practice. The measure aims to promote regulatory compliance and also invests in the further professionalization of the sector through for example reimbursement of trainings. The quality seal is promoted via media and online advertisements as well as printed in metro stations.

Other practices available on the European Labour Authority [website](#).

3.4 Challenges and barriers

In comparison with the EU-27 average, Austria experienced lower levels of undeclared work for 2013 and 2017 and similar levels for 2019. The share of under-declared and of bogus self-employment has also been lower when compared with the EU-27 average. However, Austria saw its greatest increase in 20 years in 2020 in undeclared work, with a total of EUR 26.9 billion or 7.2 % of the official GDP. In the year 2022 EUR 28,72 billion – an equivalent of 7,2 % of the official GDP was gained in the so-called shadow economy and a grow up to 7,9 % is expected for 2023⁶². While Austria counts with the active engagement of various institutions and governmental authorities on fighting undeclared work, a high-level coordinating body does not exist and a national strategy to tackle undeclared work is not available. Challenges may also arise from the absence of common cross-government strategic objectives and KPIs/targets for tackling undeclared work.

In Austria, citizens' perceptions of tax morale as well as horizontal trust is lower, but vertical trust both towards the tax authority and the labour enforcement authorities are higher than on average in the EU (see Table 4).

Table 4. Level of tax morale, horizontal and vertical trust, Austria and the EU

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority ***	Tend to trust labour inspectorate
Austria	8.49	33 %	64 %	62 %
EU-27 average	8.55	36 %	49 %	49 %

Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figures 35, 36 and 37. Retrieved on 28 October 2022.

*Tax morale is an index where respondents were asked to rank five different types of undeclared work on a scale of 1 to 10 (recorded here as 1 representing 'totally acceptable' behaviour and 10 representing 'totally unacceptable' behaviour).

**Horizontal trust was measured as the percentage of respondents who personally know people engaged in undeclared work.

⁶² Statista.com [Verhältnis der Schattenwirtschaft zum Bruttoinlandsprodukt in Österreich 2023](#), accessed on 22 August 2023, [Krise lässt den Pfusch wieder blühen - news.wko.at](#), accessed 19 September 2023



****Vertical trust was measured as proportion of respondents who tend to trust the main state institutions tackling undeclared work.*

Additional macro-economic and structural conditions of institutions affecting the prevalence of undeclared work in Austria are provided in Annex 2.



Annex 1: Approaches used to tackle undeclared work

Table A.1. Approaches used to tackle undeclared work

Approaches used	Existence
PENALTIES	
Use of penalties and fines to prevent participation in undeclared work	Yes
Use of penalties to transform undeclared work into declared work	Yes
Penalties for people or businesses who buy undeclared work	Yes
Reclassifying false employment relationships (e.g., bogus self-employment)	Yes
Use of non-compliance lists	Yes
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes
'Naming and shaming' lists	No
RISK OF DETECTION	
Workplace inspections	Yes
Online/desk-based inspections	Yes
Joint inspections with other national inspectorates	Yes
Announced inspections	Yes
Cross-border inspections	Yes
Registration of workers prior to first day at work	Yes
Data matching and sharing to identify risky businesses	Yes
Use data mining to determine risky businesses for inspection	Yes
Coordination of data mining and sharing across government departments	Yes
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g. telephone hotlines) ⁶³	Yes
Certification of business, certifying payments of social contributions and taxes	No
Notification letters	Yes
Mandatory ID in the workplace	Yes/No

⁶³ <https://www.bmf.gv.at/services/aemter-behoerden/abb.html>



Supply chain responsibility (e.g., joint and several liability, due diligence)	Yes
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	No
Society-wide amnesties	Yes/No
Individual-level amnesties for voluntarily disclosing undeclared activity	Yes/No
'Formalisation' advice to start-ups	Yes
'Formalisation' support services to existing businesses	Yes
Targeted VAT reductions	Yes/No
Provide free record-keeping software to businesses	Yes
Provide fact sheets on record-keeping requirements	Yes
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	Yes
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	Yes
Access to free marketing	Yes
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	Yes
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	Yes
Targeted indirect taxes (e.g., VAT reductions)	Yes
Initiatives for customers to request receipts (e.g., Lottery for receipts)	/No
FOSTERING COMMITMENT TO OPERATE DECLARED	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes/No
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes/No
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	Yes/No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes/No



Normative appeals to businesses to operate on a declared basis	Yes/No
Measures to improve the degree to which customers of the enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	Yes/No
Measures to improve labour, tax and/or social security law knowledge	Yes/No
Public information on the work and achievements of the enforcement authorities	Yes/No



Annex 2: Dashboard: overview of key indicators relevant to undeclared work

The dashboard below provides an overview of the key structural conditions that are associated with the extent of undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Austria. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

AUSTRIA INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))	1.66	1.52	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	69	77	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	1.69	1.55	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	34 530	44 740	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.898	0.919	■	-
Social Progress Index (SPI) (0-100 (high)) **	85.90	87.43	■	-
Self-employment (% of total employment)	11.1	10.6	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	3.5	3.7	■	-
Business flexibility index (0-10 (high))	7.62	7.65	■	-
Expense of government (% of GDP)	47.8	43.5	■	36.6
Research & Development expenditure (% of GDP)	2.60	3.13	■	2.23
Tax revenue (% of GDP)	25.2	25.6	■	19.7
Social contributions (% of revenue)	32.4	33.7	■	33.0
Impact of social transfers on poverty reduction (%)	42.69	49.24	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	2.24	1.99	■	1.65
Unemployment rate (% of active population)	5.7	4.8	■	6.8
People at risk of poverty/social exclusion (% of total population)	19.1	16.9	■	20.9
Severe material deprivation rate (% of total population)	4.6	2.6	■	5.5
Inequality of income distribution (income quintile share ratio)	4.15	4.17	■	4.99
Gini coefficient (0-100 (perfect inequality))	27.5	27.5	■	30.2
Labour productivity (% change on previous period)	-3.3	0.4	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	5.8	6.2	■	-
Judicial independence (1-7 (best))	6.1	5.7	■	-
Rule of law (-2.5 to 2.5 (strong performance))	1.78	1.90	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.45	1.46	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.39	1.34	■	-
Trust in Government (% tend to trust)	54	50	■	35
Trust in Parliament (% tend to trust)	55	54	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	8.49	8.29	■	-
Political stability (-2.5 to 2.5 (strong performance))	1.19	0.92	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	71.0	67.8	■	-
Tax compliance (0-10 (high))	8.09	8.53	■	-
	Year:			
	2013	2019		
<i>Acceptability of undeclared work (% total 'unacceptable')</i>				
Firm hires worker on undeclared basis	82	84	■	82



Undeclared work by firm for firm	87	84	■	85
Undeclared work by individual for private household	63	64	■	67
Undeclared work by firm for private household	81	83	■	82
Someone partially or completely conceals their income	81	75	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	31	33	■	36

TREND (2009-2019): ■ = positive ■ = unchanged ■ = negative

Notes: * 2009 data not available; 2012 data used instead; ** 2009 data not available; 2014 data used instead; *** 2009 data not available; 2010 data used instead; **** EU-28 average for Expense of government (% of GDP); Tax revenue (% of GDP) and Social contributions (% of revenue).

Source of methodology: 2022 update by Horodnic, I.A. of the study by Williams, C. C and Horodnic, I.A. (2020). [Horizon scanning: early warning signals of future trends in undeclared work](#), European Platform tackling undeclared work. Extraction date: 30 October 2022.