



European Platform  
tackling undeclared work

# Factsheet on undeclared work – SPAIN

## March 2023

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<sup>1</sup> This is an update of the [2017 factsheet](#)



The authors would like to thank all of the stakeholders consulted for their input into the factsheet.

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# 1.0 Nature and estimated scale of undeclared work

## 1.1 Legal definition

There is no 'all-encompassing' legal definition of undeclared work in Spain covering every aspect of the phenomenon, in the manner normally used in applied research or in policy documents.<sup>2</sup> Instead, specific legal definitions apply to the different facets of undeclared work, as each facet has a different legal treatment. Thus, Spanish legislation establishes the legal meaning of:

- (a) 'undeclared or under-declared social security contributions';<sup>3</sup>
- (b) 'under-declared wages'<sup>4</sup> or 'undeclared working time';<sup>5</sup>
- (c) 'non-registration of employees/employers with the Social Security system';<sup>6</sup>
- (d) 'non-declaration of employer status';<sup>7</sup>
- (e) 'bogus self-employment';<sup>8</sup>
- (f) 'migrants without working permit involved in non-declared work'<sup>9</sup> and;
- (g) 'cross-border undeclared work'<sup>10</sup> involving 'letter box companies'.<sup>11</sup>

## 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 methodologies<sup>12</sup>.

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<sup>2</sup> European Commission (2007) Stepping up the Fight against Undeclared Work. Brussels, European Commission, p. 2; European Platform tackling undeclared Work, [Glossary of Terms](#), October 2018.

<sup>3</sup> Article 22(3) and (12); article 22(1)(b) of Royal Legislative Decree 5/2000.

<sup>4</sup> Article 7(3) of Royal Legislative Decree 5/2000.

<sup>5</sup> Article 23 (1)(j) of Royal Legislative Decree 5/2000.

<sup>6</sup> Article 22 (1)(2) and (10) of Royal Legislative Decree 5/2000.

<sup>7</sup> Article 8(2) of Royal Legislative Decree 5/2000.

<sup>8</sup> Article 22 (16) of Royal Legislative Decree 5/2000.

<sup>9</sup> Article 37 of Royal Legislative Decree 5/2000.

<sup>10</sup> Article 10(3)(b) of Royal Legislative Decree 5/2000; article 14(2) of Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems; article 4(2) of Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services.

<sup>11</sup> Letterbox companies are defined as companies which have complied only with the bare essentials (e.g., book-keeping, administration) for organisation and registration in a particular country. However, the actual commercial activities are carried out in another country. European Platform tackling undeclared Work, [Glossary of Terms](#), October 2018.

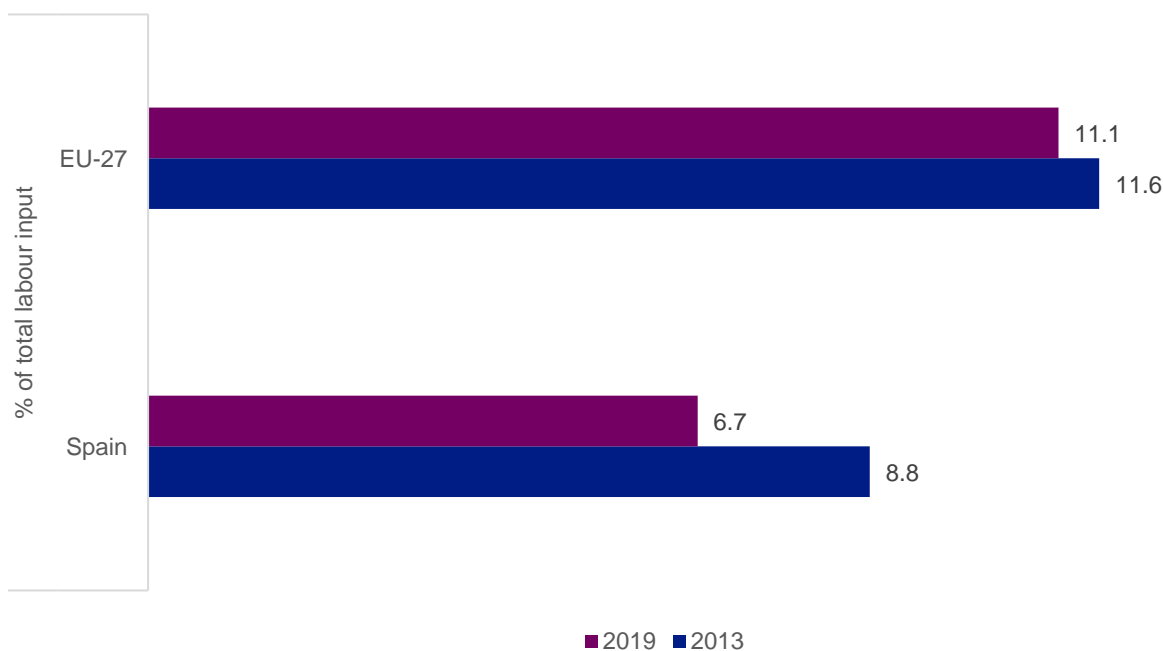
<sup>12</sup> Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, 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



Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,<sup>13</sup> in 2019, 6.7 % of total labour input in the private sector in Spain was undeclared (8.8 % 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 Spain was lower in terms of total labour input compared to the EU-27 average (see Figure 1 below).<sup>14</sup>

According to Eurobarometer (2019), 41 % of Spaniards declare that they personally know someone who works without declaring all or part of their income (the EU average is 33 %). In fact, the proportion of respondents answering this way had increased by 9 percentage points since the previous survey (2013). Moreover, 25 % of respondents declared that all their paid activity was undeclared, 34 % declared that they received envelope wages, and 11 % that they carried out undeclared activity outside their main job, on their own initiative.<sup>15</sup>

**Figure 1. The scale of undeclared work in the private sector in Spain 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.

The figures below indicate the current state and development of undeclared, under-declared and bogus self-employment between 2007 and 2019 for Spain, 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

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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.

<sup>13</sup> 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.

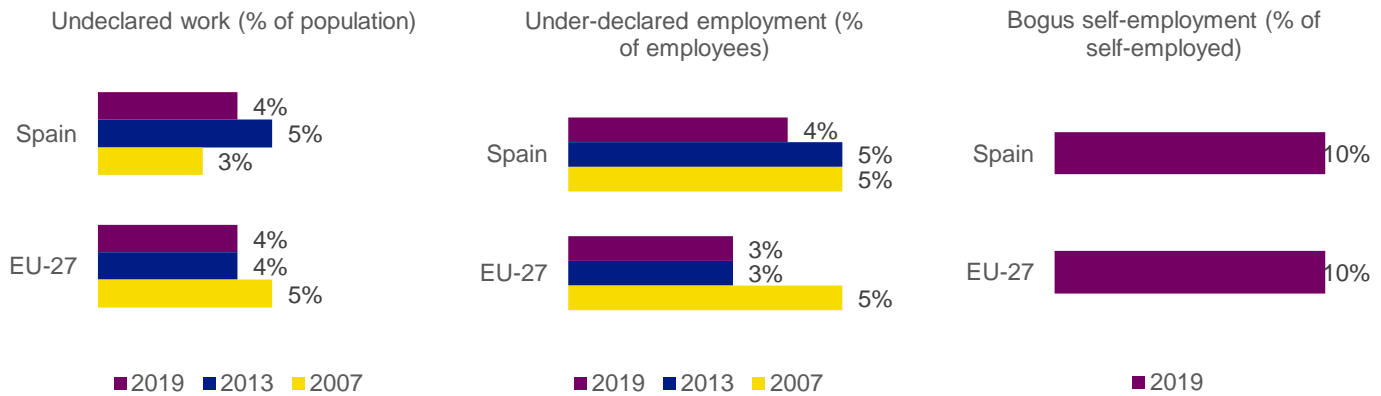
<sup>14</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

<sup>15</sup> Special Eurobarometer 498 – September 2019. 'Undeclared Work in the European Union'. Report, pp. 35,79,95,101.



characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships<sup>16</sup>.

**Figure 2. Composition of undeclared work, Spain and EU-27, 2007, 2013 and 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 a 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) estimates,<sup>17</sup> in Spain, 4.5 % of dependent waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 14.5 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 14 %<sup>18</sup>.

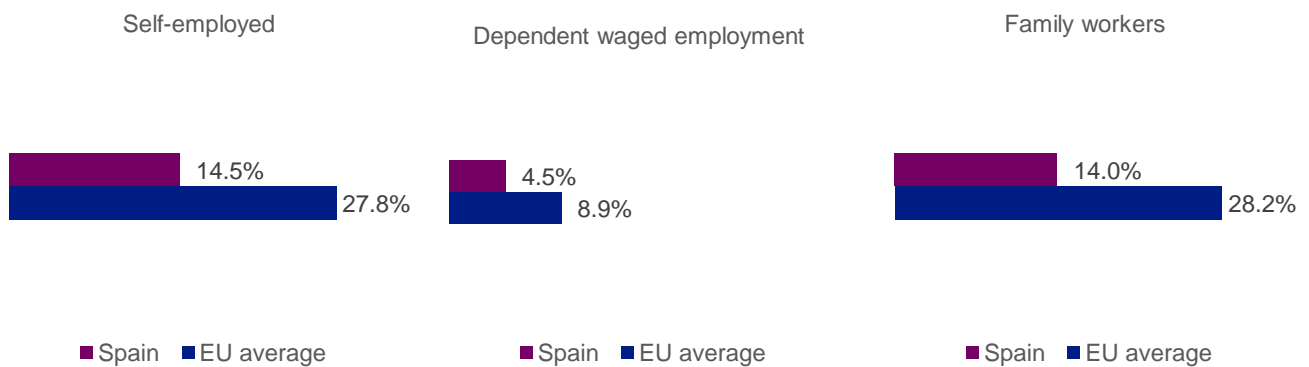
<sup>16</sup> Williams, C.C and Horodnic I.A. (2020). Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

<sup>17</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

<sup>18</sup> This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.



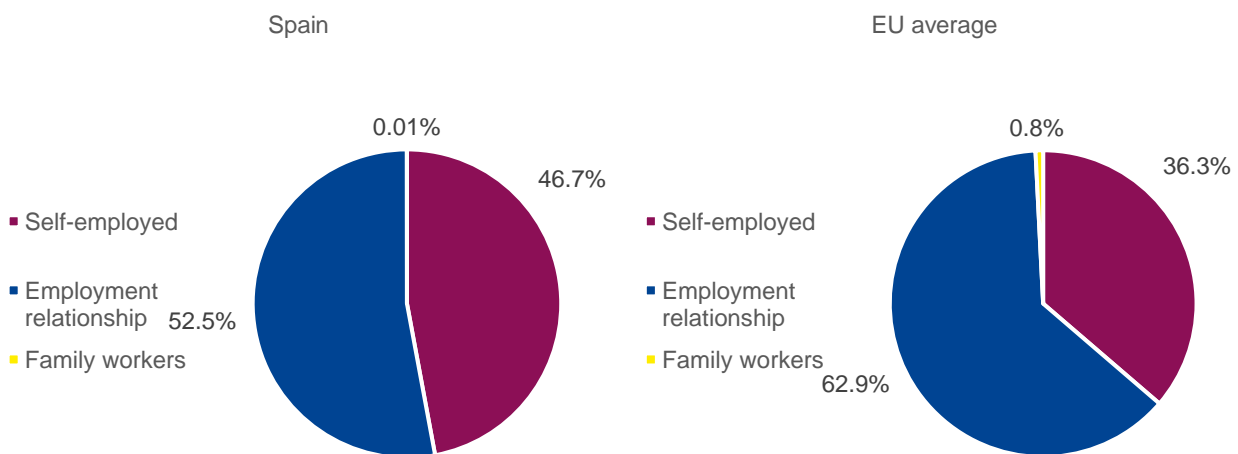
**Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Spain, EU-27 average, 2019**



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 Spain in 2019 using the LIM estimates (see Figure 4),<sup>19</sup> the proportion of undeclared labour input that is dependent waged employment is 52.5 % (62.9 % in the EU-27), 46.7 % 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 0.01 % (also 0.8 % in the EU-27). Therefore, compared with the EU-27, dependent waged employment is a smaller proportion of undeclared work and self-employment a larger share.

**Figure 4: Structure of the undeclared labour market in the private sector, Spain 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.

<sup>19</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022).



The main types of undeclared work in Spain are:

- ▶ workers not registered with Social Security (186 075 undeclared workers were identified by the Labour and Social Security Inspectorate (ITSS) and registered in the Social Security system in the period 2019-20);<sup>20</sup>
- ▶ foreign workers without a working permit (10 375 undeclared workers and 209 undeclared self-employed workers were identified and registered in the Social Security system by the ITSS in the period 2019-20);<sup>21</sup>
- ▶ full-time jobs declared as part-time jobs (49 450 cases were identified by the ITSS in the period 2019–20, which are now registered as full-time workers);<sup>22</sup>
- ▶ bogus self-employed workers (55 663 identified by the ITSS and properly registered in the Social Security system in the period 2015-2020);<sup>23</sup>
- ▶ fake ‘trainees’, who are in reality undeclared dependent waged workers (3 052 were identified by the ITSS and registered in the Social Security system in the period 2019-20);<sup>24</sup>
- ▶ new forms of undeclared work, such as the fraudulent use of identities by foreign workers, fraudulent subcontracting and sham ‘co-operatives’;<sup>25</sup>
- ▶ ‘envelope’ wages; and unpaid or non-declared extra hours.

The prevalence of unregistered employment varies by sector, amounting to 6 % in agriculture, 2 % in industry, 9 % in construction and 5 % in services (all types).<sup>26</sup> Other sources of information have showed that in personal and household services (PHS), over one third of workers could be unregistered,<sup>27</sup> very often involving migrant women<sup>28</sup>. This sector represents at least 615 479 jobs and 3.3 % of total employment in Spain.<sup>29</sup>

Undeclared work has been found in companies of all sizes, though it is more often conducted by those working as self-employed (47 % of all undeclared work).<sup>30</sup> Thus, undeclared self-employment represents the biggest share of the shadow economy<sup>31</sup> in a country where there are 1 606 466 SMEs without employees, 1 313 504 SMEs with

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<sup>20</sup> Ministerio de Trabajo y Economía Social. Informe anual de la Inspección de Trabajo y Seguridad Social 2020 (Convenios 81 y 129 de la OIT). [https://www.mites.gob.es/itss/web/que\\_hacemos/estadisticas/index.html](https://www.mites.gob.es/itss/web/que_hacemos/estadisticas/index.html), p. 69., accessed 14 November 2022.

<sup>21</sup> Ibid., p. 77.

<sup>22</sup> Ibid., p. 70.

<sup>23</sup> Ibid., p. 71.

<sup>24</sup> Ibid., p. 71.

<sup>25</sup> Hauben, H. and Bvba, E., in cooperation with ICF. Tools and approaches to tackle undeclared work in the collaborative economy. Learning resource paper from the thematic review workshop on undeclared work in the collaborative economy 19-20 May 2021, p. 6.

<sup>26</sup> Williams, C.C. and Horodnic, I.A., [Horizon scanning: early warning signals of future trends in undeclared work, European Platform tackling undeclared work](#), June 2020, p. 24.

<sup>27</sup> González Gago, E. and Carrandi Cortina, R. (2018). Labour Market Policy Thematic Review 2018. An analysis of Personal and Household Services to support work life balance for working parents and careers. Spain. European Centre of Expertise (ECE) in the field of labour law, employment and labour market policy, p. 28.

<sup>28</sup> Migrant women make up 42.2% of the PHS labour force. González Gago and Carrandi Cortina (2018), op. cit., p. 10.

<sup>29</sup> International Labour Organization (2021). Making decent work a reality for domestic workers: Progress and prospects ten years after the adoption of the Domestic Workers Convention, 2011 (No. 189), Geneva, p. 35.

<sup>30</sup> 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, p. 11.

<sup>31</sup> Vid. Dell'Anno, R., Gómez-Antonio, M. and Pardo, A. (2007). The shadow economy in three Mediterranean countries: France, Spain and Greece. A MIMIC approach. *Empirical Economics*, 33, 51–84.





employees and 5 257 large companies (October 2022).<sup>32</sup> Likewise, it is estimated that 22.8 % of those who have been self-employed workers for 15 years or over (without employees) are cases of bogus self-employment.<sup>33</sup>

As for the main drivers for undeclared work, according to Eurobarometer (2019),<sup>34</sup> both the impossibility of finding a regular job (23 %) and the lack of other means of income (22 %) play a key role for respondents. Other motivations include the reluctance of the employer to declare the activities or wages (19 %); the social perception that undeclared work is a common practice in their region or sector of activity (16 %), or among friends, neighbours or relatives (23 %); and viewing taxes and social security contributions as unaffordable (17 %).

Finally, it has been estimated that 7 % of Spanish citizens are service providers on collaborative platforms;<sup>35</sup> and certain studies have underlined the presence of bogus self-employment among platform workers in Spain.<sup>36</sup> Similarly, the ITSS reports cases of undeclared work performed by individuals who have no work permits or use fake identities.<sup>37</sup> The problems that service providers cite most frequently as impeding them from transferring to the declared economy are: (a) the lack of clarity about how to provide the service legally, (b) the complicated tax system and (c) the unclear impact of doing so on their employment status.<sup>38</sup> The food/parcel delivery and personal transportation sectors, together with cleaning services and care services, are the priority sectors of concern for the ITSS<sup>39</sup>.

## 2.0 Institutional framework

### 2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

**Table 1. Overview of key institutional features in Spain for addressing undeclared work**

Key institutional feature	Existence
A high-level coordinating body in the country	Yes
A national strategy for tackling undeclared work	Yes
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	Yes

<sup>32</sup> Ministerio de Industria, Comercio y Turismo. Cifras PyME Datos octubre 2022. <https://industria.gob.es/en-us/estadisticas/Paginas/estadisticas-y-publicaciones-sobre-pyme.aspx#1>, accessed 15 November 2022.

<sup>33</sup> Other methods estimate bogus self-employment as making up 14.2% or 2% of all self-employed (without employees) for 15 years or over. Williams, C.C., Llobera, M., Horodnic I.A., Tackling undeclared work in the collaborative economy and bogus self-employment Working Paper. European Platform tackling undeclared work, March 2020, p. 24.

<sup>34</sup> Special Eurobarometer 498 – September 2019. 'Undeclared Work in the European Union'. Report. QD21: Among the following, what were the reasons for carrying out these activities undeclared or partly undeclared?'

<sup>35</sup> Williams, C.C., Llobera, M., Horodnic I. A., op.cit., p.11.

<sup>36</sup> Suárez Corujo, B., 'The 'Gig' economy and its impact on social security: the Spanish example', European Journal of Social Security, Vol. 19, No 4, 2017, pp. 293-312.

<sup>37</sup> Hauben, H./ Bvba, E., in cooperation with ICF, op.cit., p.4.

<sup>38</sup> Williams, C./ Llobera, M./ I. Horodnic, op. cit., p.16.

<sup>39</sup> Hauben, H./ Bvba, E., in cooperation with ICF, op. cit, p. 3.



Sources: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.<sup>40</sup>

In Spain, several authorities are responsible for identifying, tackling and preventing undeclared work. However, **the National Anti-Fraud Office** (*Oficina Nacional de Lucha contra el Fraude*)<sup>41</sup> within the Labour and Social Security Inspectorate (ITSS) is the high-level body responsible for coordinating the Spanish strategy for tackling undeclared work, contained in the ITSS Strategic Plan 2021-2023.<sup>42</sup>

- ▶ **The Labour and Social Security Inspectorate** (*Inspección de Trabajo y de la Seguridad Social*, ITSS),<sup>43</sup> which provides the human and technical resources to carry out the national strategy for tackling undeclared work. Funding comes from the Spanish Ministry of Labour and Social Economy. The Labour and Social Security Inspectorate (ITSS) is responsible for monitoring compliance with labour and social security rules, imposing sanctions, offering conciliation, mediation, and arbitration services, reclassifying false employment relationships (e.g., bogus self-employment), as well as for providing technical advice to workers and employers to prevent participation in undeclared work. Equally, the ITSS ensures that penalties are used to transform undeclared work into declared work and that non-compliant firms are excluded from bidding for public procurement. On 31 December 2020, the ITSS's staff comprised 1 007 inspectors and 971 sub-inspectors<sup>44,45</sup> and when they develop activities to tackle undeclared work, they are coordinated by the National Anti-Fraud Office.
- ▶ **The National Anti-Fraud Office**, is an unit within the institutional structure of the Labour and Social Security Inspectorate, and it coordinates its efforts with other public administrations, at both national and regional level, to implement the cross-government strategic objectives defined by the national strategy. Progress in the achievement of such objectives is measured in accordance with pre-established key performance indicators (KPIs).<sup>46</sup> . It has an advisory body made up of experts and liaison agents, in departments of the central and regional administrations, which coordinate activities to improve detection. Such activities encompass data matching and sharing to identify risky businesses, data mining to determine risky businesses for inspection, on-line complaint reporting tools<sup>47</sup> and notification letters. Other activities are directed to improve labour and social security law knowledge of employers and employees' representatives, and to inform the public on the

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<sup>40</sup> A questionnaire survey that was sent to the 32 labour, tax and social security authorities participating in the European Platform tackling undeclared work (hereafter "the Platform") in the 27 European Union member states plus Norway and Iceland (i.e., 28 labour authorities, 3 tax authorities and 1 social security authority), Replies received between December 2021 and February 2022.

<sup>41</sup> Oficina Nacional de Lucha contra el Fraude. Paseo de la Castellana, 63 -28046 - MADRID / C/. Agustín de Bethencourt, 4 - 28003 - Madrid. Tel.:+34.913631159.

<https://www.mites.gob.es/es/organizacion/organigrama/empleo/itss/contenido/OM111.htm>; communications via the Labour Fraud Mailbox (<https://expinterweb.mites.gob.es/buzonfraude/>, accessed 16 November 2022) are anonymous and are used by the Regional Inspectorate to plan their investigations.

<sup>42</sup> Plan Estratégico de la Inspección de Trabajo y Seguridad Social 2021-2023. [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2021-20005](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-20005), action 4.2 "Modifications in the Integra application to improve inter-institutional cooperation in actions regarding transnational fraud"; action 4.3 "Carrying out campaigns on fraud at transnational work".

<sup>43</sup> Inspección de Trabajo y de la Seguridad Social (ITSS), <https://www.mites.gob.es/itss/web/>. Website to report undeclared work: [https://www.mites.gob.es/es/sede\\_electronica\\_menu/index.htm](https://www.mites.gob.es/es/sede_electronica_menu/index.htm), accessed 16 November 2022; information on how to file complaints: [https://www.mites.gob.es/itss/web/atencion\\_al\\_ciudadano/como\\_denunciar\\_itss.html](https://www.mites.gob.es/itss/web/atencion_al_ciudadano/como_denunciar_itss.html), accessed 16 November 2022.

<sup>44</sup> Ministerio de Trabajo y Economía Social. Informe anual de la Inspección de Trabajo y Seguridad Social 2020 (Convenios 81 y 129 de la OIT). [https://www.mites.gob.es/itss/web/que\\_hacemos/estadisticas/index.html](https://www.mites.gob.es/itss/web/que_hacemos/estadisticas/index.html), p. 35.

<sup>45</sup> The organisation chart of the Labour and Social Security Inspectorate can be found at the following link: [https://www.mites.gob.es/itss/web/Quienes\\_somos/Organigrama/index.html](https://www.mites.gob.es/itss/web/Quienes_somos/Organigrama/index.html)

<sup>46</sup> Informe anual de la Inspección de Trabajo y Seguridad Social 2020 (Convenios 81 y 129 de la OIT). [https://www.mites.gob.es/itss/web/que\\_hacemos/estadisticas/index.html](https://www.mites.gob.es/itss/web/que_hacemos/estadisticas/index.html), accessed 18 November 2022. pp. 69, 70, 71, 77; Ministerio de Trabajo y Economía Social. Resumen-Cuadro resumen de la actividad desarrollada de enero a diciembre de 2019 y 2020. [https://www.mites.gob.es/itss/web/Que\\_hacemos/Estadisticas/index.html](https://www.mites.gob.es/itss/web/Que_hacemos/Estadisticas/index.html), accessed 16 November 2022.

<sup>47</sup> Website to report undeclared work: [https://www.mites.gob.es/es/sede\\_electronica\\_menu/index.htm](https://www.mites.gob.es/es/sede_electronica_menu/index.htm), accessed 13 November 2022.



work and achievements of the enforcement authorities. These activities are meant to promote a culture of commitment to operating in the declared economy.

- ▶ **The Special Coordination Unit against Fraud in Transnational Work** (*Unidad Especial de Coordinación sobre Lucha contra el Fraude en el Trabajo Transnacional*),<sup>48</sup> which coordinates all the action carried out by the ITSS to tackle cross-border undeclared work. It is integrated within the National Anti-Fraud Office and it is a liaison office with the European Labour Authority.
- ▶ **The Tax Agency** (*Agencia Estatal de Administración Tributaria, AEAT*),<sup>49</sup> which has the main function of collecting taxes and combatting tax fraud across the country, with the exception of the Basque Region and Navarre, which have their own tax agencies.
- ▶ **The Social Security Treasury** (*Tesorería General de la Seguridad Social*),<sup>50</sup> which, among other tasks, collects unpaid social security contributions in relation to declared work.<sup>51</sup> However, recovery of undeclared or under-declared social security contributions requires the intervention of the Labour and Social Security Inspectorate.<sup>52</sup>

In addition to these government institutions, social partner organisations are also involved in tackling undeclared work. Their key approaches are shown below.

**Table 2. Overview of tools to tackle undeclared work used by social partners in Spain**

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviours through campaigns, awards, dedicated websites, etc., at sectoral and company level	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	Yes
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	Yes
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	Yes
Providing policy and legal advice on procedural and legal changes needed	Yes

<sup>48</sup> Order TES/967/2020, 6 October. <https://www.boe.es/buscar/act.php?id=BOE-A-2020-12359>, accessed 19 November 2022

<sup>49</sup> Tax Agency (Agencia Tributaria, AEAT). Information about the different types of complaint and procedures on the Tax Agency website: <https://www.agenciatributaria.gob.es/AEAT.sede/tramitacion/ZZ06.shtml>, accessed 20 November 2022. Website available in English: [https://sede.agenciatributaria.gob.es/Sede/en\\_gb/inicio.html](https://sede.agenciatributaria.gob.es/Sede/en_gb/inicio.html) (includes information and assistance), accessed 20 November 2022.

<sup>50</sup> <https://www.seg-social.es/wps/portal/wss/internet/Inicio>, accessed 14 November 2022.

<sup>51</sup> Article 33 (1) and (2) of Royal Legislative Decree 8/2015 and article 62 of Royal Decree 1415/2004.

<sup>52</sup> Article 34 of Royal Legislative Decree 8/2015, article 65 of Royal Decree 1415/2004 and article 31 of Royal Decree 928/1998.



Providing policy advice on where enforcement authorities should focus their efforts (e.g., bogus self-employment, particular sectors)	Yes
Taking part in consultations and working groups	Yes
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	No
Establishing relevant contacts through their networks of members	Yes
Serving as access points to corporate databases	No
Conduct workplace inspections	No

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

Spanish laws establish the compulsory consultation and participation of the social partners in defining the objectives and programmes of the Labour and Social Security Inspection system and in the formulation of proposals on its objectives and programmes.<sup>53</sup> Thus, a specific organ, the General Council, has been set up to consult with social partners and public administration in matters relating to the Labour Inspection. The General Council has a tripartite composition, consisting of representation of central government, of regional governments, of the most representative business organizations and of trade union organizations.<sup>54</sup>

## 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 3. Key authorities and their legal basis to tackle undeclared work**

Authority	Legal framework
The Labor and Social Security Inspectorate	Royal Legislative Decree 5/2000, Articles 7(3), 8(2), 10(3)(b), 22 (1)(2)(3)(10)(12)(16), 23(1)(j). Law 23/2015, Article 12.
National Office for the Fight against Fraud	Royal Decree 192/2018, Articles 13, 15, 16, 17, 32.

<sup>53</sup> Law 43/2006, first final provision.

<sup>54</sup> Article 10(1)(3) and 12 (3) of Royal Decree 192/2018 and articles 2(i), 17(2), 30, 35 of Law 23/2015.



Special Coordination Unit on the Fight  
against Fraud in Transnational Work

Order TES/967/2020

Source: Platform members; 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 Spain

As undeclared work is a multifaceted phenomenon, Spain has developed an effective multiagency approach in its 'Campaign against undeclared work', which is included in the the ITSS Strategic Plan 2021-2023. It involves the Tax Agency, the Social Security Treasury, local and regional police forces,<sup>55</sup> local government and the Spanish Federation of Municipalities and Provinces.<sup>56</sup> The establishment of this partnership has resulted in 186 075 visits/audits in the period 2019-2020,<sup>57</sup> particularly involving checks that target high-risk areas in specific industries such as construction, agriculture and transportation.

In addition, a unit specialised in social security is devoted to investigate social security cases when they affect nationwide businesses or, at least, affect more than one region. Depending on the circumstances, this special unit either performs the investigation directly or coordinates and supports the investigation by the regional inspectorates.

Similarly, there has been particularly intense cooperation between the Tax Agency (*Agencia Estatal de Administración Tributaria*, AEAT) and the ITSS over the years. In the recently signed 2022 ITSS-AEAT Agreement for the Prevention of Labour and Fiscal Fraud<sup>58</sup> cooperation includes information exchange, shared training, the creation of permanent coordination channels and joint action. The Agreement focuses on certain economic sectors (such as transport or seasonal work in agriculture) and on the prevention of undeclared work, undeclared or under-declared social security contributions, under-declared wages, undeclared working time, fraudulent subcontracting, and full-time jobs under part-time contracts.

In addition, institutional agreements exist between the ITSS and (a) the Wages Guarantee Fund, (b) the General Council of the Judiciary, (c) the General Council of Notaries, (d) the College of Property Registrars and (e) the public business organisation 'RED.ES'. RED.ES promotes and develops the Digital Agenda in Spain, and, in coordination with national, regional, and local administrations, manages development programmes for the information society.<sup>59</sup>

Spain also has agreements with the police and other enforcement authorities and with the transport Inspectorate.

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<sup>55</sup> Resolución de 4 de noviembre de 2013, de la Subsecretaría, por la que se publica el anexo del Convenio de colaboración sobre coordinación entre la Inspección de Trabajo y Seguridad Social y las Fuerzas y Cuerpos de Seguridad del Estado. BOE núm. 268, de 8 de noviembre de 2013, págs. 90111 a 90115.

<sup>56</sup> Plan Estratégico de la Inspección de Trabajo y Seguridad Social 2021-2023. [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2021-20005](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-20005), accessed 12 November 2022 action 3.1 'Campaign against undeclared work'; action 32.2 'Fighting Fraud Tool'; axis 1.3 'The sustainability of the social security system and the control of public aid in employment matters'; action 1.7 'False self-employed'.

<sup>57</sup> Ministerio de Trabajo y Economía Social. Resumen-Cuadro resumen de la actividad desarrollada de enero a diciembre de 2019 y 2020. [https://www.mites.gob.es/itss/web/Que\\_hacemos/Estadisticas/index.html](https://www.mites.gob.es/itss/web/Que_hacemos/Estadisticas/index.html), accessed 11 November 2022.

<sup>58</sup> Resolución de 31 de julio de 2022, de la Subsecretaría, por la que se publica el Convenio entre la Agencia Estatal de Administración Tributaria y el Organismo Autónomo Organismo Estatal Inspección de Trabajo y Seguridad Social. BOE Núm. 188 6 de agosto de 2022 Sec. III. Pág. 115676.

<sup>59</sup> Informe anual de la Inspección de Trabajo y Seguridad Social 2020 (Convenios 81 y 129 de la OIT). [https://www.mites.gob.es/itss/web/que\\_hacemos/estadisticas/index.html](https://www.mites.gob.es/itss/web/que_hacemos/estadisticas/index.html), p. 74.



Finally, in 2022 a Cooperation Agreement was also signed between the ITSS and the Public Service for Employment (*Servicio Público de Empleo Estatal*, SEPE).<sup>60</sup> According to Law 23/2015 (Art 22.17), the SEPE must retrain undeclared workers in new professional skills.

### 2.2.3 Cooperation with other Member States

At the international level, cooperation agreements have been set up to strengthen cooperation with Portugal,<sup>61</sup> France,<sup>62</sup> Poland,<sup>63</sup> and Romania.<sup>64</sup> Among other issues, these Agreements provide the legal framework for cross-border joint inspections. Actually, authorities of other Member States can take part in an inspection carried out in Spain, not only as observers but also taking part with limited competences. Besides, evidence gathered during an inspection conducted in another Member State can be used as evidence before a Spanish court. Whereas in the case of administrative proceedings, evidence gathered can be used only if its initiation corresponds to the Spanish labour and social security inspectorate.<sup>65</sup>

Recent activities developed within the framework of such cooperation agreements include an ‘Iberian campaign’ (Portugal and Spain) on work accidents (2016–ongoing) to analyse and study cross-border occupational accidents, which often involve undeclared workers. The campaign also includes measures to raise awareness to encourage companies to adopt preventative measures. Spanish and Portuguese labour inspectors have been carrying out joint visits in neighbouring provinces to detect undeclared work for several decades.<sup>66</sup>

Another objective of the Cooperation Agreement with Portugal is to facilitate cooperation when implementing EU rules on posting of workers. The Agreement establishes a permanent collaborative framework, which is annually reviewed. In particular, it has created (a) direct communication links between the bordering regional authorities, (b) direct communication links between central authorities, and (c) a Joint Monitoring Commission.

In the case of France, a Common Declaration was signed in 2019 to develop cooperation activities focused on posted workers and the prevention of undeclared work, reinforcing a previous cooperation agreement. A ‘National Committee for Dialogue’ oversees the preparation of an annual programme of activities which include joint labour inspectorate investigations to tackle cross-border undeclared work.

With the Romanian Labour Inspectorate, Spain’s activities are focused on information exchange and technical cooperation. Since 2016, joint investigations have taken place, on the initiative of police forces from Spain (*Guardia Civil*), focusing specifically on the exploitation of Romanian workers in the Spanish agricultural sector<sup>67</sup>. In early 2019, information leaflets for agricultural workers were published in Romanian, Spanish, English, and French, and a special complaint form was available to the public.

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<sup>60</sup> Resolución de 26 de septiembre de 2022, de la Secretaría General Técnica, por la que se publica el Convenio entre el Servicio Público de Empleo Estatal y el Organismo Estatal Inspección de Trabajo y Seguridad Social. BOE Núm. 234, 29 de septiembre de 2022, Sec. III. Pág. 133830.

<sup>61</sup> [https://www.mites.gob.es/itss/ITSS/ITSS\\_Descargas/Atencion\\_ciudadano/Normativa\\_documentacion/Convenio\\_Internac/acuerdo\\_portugal.pdf](https://www.mites.gob.es/itss/ITSS/ITSS_Descargas/Atencion_ciudadano/Normativa_documentacion/Convenio_Internac/acuerdo_portugal.pdf), accessed 10 November 2022.

<sup>62</sup> [http://www.eurodetachment-travail.eu/datas/files/EUR/Convenio\\_de\\_colaboracion\\_Inspecciones\\_Espana\\_y\\_Francia.pdf](http://www.eurodetachment-travail.eu/datas/files/EUR/Convenio_de_colaboracion_Inspecciones_Espana_y_Francia.pdf)

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[https://www.mites.gob.es/itss/ITSS/ITSS\\_Descargas/Atencion\\_ciudadano/Normativa\\_documentacion/Convenio\\_Internac/acuerdo\\_polonia.pdf](https://www.mites.gob.es/itss/ITSS/ITSS_Descargas/Atencion_ciudadano/Normativa_documentacion/Convenio_Internac/acuerdo_polonia.pdf), accessed 10 November 2022.

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[https://www.mites.gob.es/itss/ITSS/ITSS\\_Descargas/Atencion\\_ciudadano/Normativa\\_documentacion/Convenio\\_Internac/memorandum\\_rumania.pdf](https://www.mites.gob.es/itss/ITSS/ITSS_Descargas/Atencion_ciudadano/Normativa_documentacion/Convenio_Internac/memorandum_rumania.pdf), accessed 9 November 2022.

<sup>65</sup> European Labour Authority, Guidelines for concerted and joint inspections, December 2020, ELA/MB/2020/057.

<sup>66</sup> Good practice fiche – Spain: Cooperation Agreements to tackle cross-border fraud, letterbox companies and undeclared work (2019) <https://www.ela.europa.eu/en/undeclared-work/virtual-library>, accessed 8 November 2022.

<sup>67</sup> See also good practice fiche on cooperation between Romania and Spain - Joint inspection visits with Romania to agricultural workers in the province of Albacete (2019).



In the case of Poland, the objective of the Cooperation Agreement is to facilitate mutual cooperation when implementing EU rules on the posting of workers. It is designed to improve collaboration, coordination, and the exchange of information regarding the impact and the results of inspections of Polish or Spanish businesses, according to the obligations set out in Directive 96/71/EC, as modified by Directive 2018/957/EU, and in the Enforcement Directive 2014/67/EU.

More broadly, the Master Plan for Decent Work (2018)<sup>68</sup> establishes joint investigations and data exchange cooperation with other Member States' inspectorates, the Tax Agency, the Transportation Inspectorate and the Social Security Administration, in order to deal with cross-border undeclared and irregular work in the transport sector. Such joint investigations can result in the withdrawal of A1 forms used to evade social security contributions.<sup>69</sup> They also allow the authorities to establish fraud profiles to help carry out labour inspection activities.

The ITSS Strategic Plan 2021-2023 envisages future agreements to be signed between the Social Security Treasury, the Tax Agency, the Public Prosecutor's Office and other Member States' Inspectorates, to further develop inter-institutional cooperation and consultation procedures to tackle cross-border undeclared work.<sup>70</sup>

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.<sup>71</sup>

National partners in the project in Spain are the employers' representative in the construction sector (CNC, *Confederación Nacional de la Construcción*), the workers' representatives in the construction sector (UGT-FICA, *Federación de Industria, Construcción y Agro de la Unión General de Trabajadoras y Trabajadores*, and CCOO, *Comisiones Obreras de Construcción y Servicios*) and the Labour Inspectorate (ITSS). Policy measures in Spain for transforming undeclared work into declared work in the construction sector<sup>72</sup> include regulating subcontractors' liability, limiting subcontracting, and establishing a uniform set of regulations for the whole of Spain, along with a single collective agreement negotiated by CNC and UGT-FICA/CCOO *Construcción y Servicios*. These have had beneficial and stimulating effects for the development of healthy labour relations in the construction sector. In addition, the Spanish paritarian body for the construction industry, the *Fundación Laboral de la Construcción* (FLC), has launched a new online tool called Gesinprec, which can be used by companies in the construction industry to carry out comprehensive prevention management. This free-of-charge support program allows companies to upload documentation on social security contributions, making it easier to check that subcontractors are complying with their obligations.<sup>73</sup>

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<sup>68</sup> Ministry of Labour and Social Economy. National Plan for Decent Work 2018-2020. [https://www.mites.gob.es/es/plan\\_director/index.htm?msckid=539c4e2fa61f11ec89732d3479b77df3](https://www.mites.gob.es/es/plan_director/index.htm?msckid=539c4e2fa61f11ec89732d3479b77df3), accessed 15 November 2022.

<sup>69</sup> Concerns have been raised over the abuse of A1 forms by letterbox companies with the intention of evading social security contributions. An A1 form is a statement of applicable legislation; it allows companies to pay social security contributions in the sending EU country during a posting or when the employee works in several countries at the same time. This type of fraud actually appears more often in cases where A1 forms are issued for the pursuit of activities in two or more Member States (covered by Article 13 of Regulation (EC) No 883/2004). Llobera, M. (2019). Tackling letterbox companies: challenges and policy options. Input paper to the thematic discussion. European Platform Undeclared Work Plenary meeting 12-13 March 2019, p.8.

<sup>70</sup> Plan Estratégico de la Inspección de Trabajo y Seguridad Social 2021-2023, op. cit.

<sup>71</sup> [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.

<sup>72</sup> See also good practice fiche – Spain - [Regulating subcontracting in the construction sector \(LSCS\) \(2019\)](#).

<sup>73</sup> European Federation of Building and Woodworkers. European Construction Industry Federation. [Tackling undeclared work in the construction industry. Toolkit. With concrete cases from Belgium, France, Bulgaria, Italy, Spain](#), Romania and Austria. European Platform Tackling undeclared work. Brussels, September 2020.



## 3.0 Policy focus and measures

### 3.1 Policy approach

Spain's traditional policy approach to tackling undeclared work has been one of deterrence, implemented through inspections and the applications of sanctions. Over recent years, though, certain measures suggest the gradual growth of a complementary preventative approach. Considering that the main motivators for undeclared work, according to Eurobarometer (2019)<sup>74</sup>, are the impossibility of finding a regular job and not having any other means of gaining income, an example of these measures is the use of employment incentives and increased social protection for vulnerable groups,<sup>75</sup> along with a significant reduction of social security contributions for self-employed workers.<sup>76</sup>

The Spanish national strategy for tackling undeclared work is part of the ITSS Strategic Plan 2021–2023, implemented by the National Anti-Fraud Office at national level.<sup>77</sup> It includes a wide range of measures to combat undeclared work and takes advantage of new technologies to provide the service, including artificial intelligence, electronic administration, interconnection of databases, and recruitment of staff with IT training.

The most relevant policy measures adopted in the frame of the Spanish national strategy for tackling undeclared work are the following:

Firstly, Royal Decree 688/2021 introduced an automated administrative procedure for the imposition of penalties. Infractions related to social security contributions can be detected using data matching, i.e., large-scale comparison of records or files collected by different agencies. Infringement notices are accompanied by an invoice, with a reduction of 40 % in return for prompt payment. Notifications are sent via automated systems without requiring papers or hand delivery.

Secondly, Law 10/2021 increased the levels of the penalties applicable to labour infractions committed from 10 January 2021 onwards, involving (a) undeclared or under-declared social security contributions, (b) under-declared wages or working time, (c) non-declaration of employer status, and/or (d) bogus employment contracts.<sup>78</sup>

Thirdly, the Anti-Fraud Tool Unit was set up in 2015 as a special unit within the National Anti-Fraud Office. Recently the Anti-Fraud Tool Unit has been integrated in the Unit for Information, Technology, Communications and Support to Inspection Planning in direct dependence of the ITSS Director. It uses data matching and data mining to create a comprehensive risk assessment system related to undeclared work and other labour infringements. The Anti-Fraud Tool Unit has recently been improved with the aim of detecting fraud patterns, harnessing algorithms, big

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<sup>74</sup> Special Eurobarometer 498 – September 2019. 'Undeclared Work in the European Union'. Report. QD21 [Among the following, what were the reasons for carrying out these activities undeclared or partly undeclared?]

<sup>75</sup> Ministerio de Trabajo y Economía Social. Programa de Fomento del Empleo. 2022. <https://www.mites.gob.es/es/informacion/incentivos/index.htm>, accessed 10 November 2022; Gabinete de Comunicación. 20/10/2022. El presupuesto de Trabajo aumenta la cuantía de las prestaciones, amplía la protección a las personas e impulsa las políticas de empleo. <https://prensa.mites.gob.es/WebPrensa/noticias/laboral/detalle/4151>, accessed 20 November 2022; Gabinete de Comunicación 14/07/2022. Estrategia Nacional de Impulso del Trabajo Autónomo 2022-2027. <https://prensa.mites.gob.es/WebPrensa/noticias/laboral/detalle/4128>

<sup>76</sup> Ministerio de Trabajo y Economía Social. Reducciones y Bonificaciones a la Seguridad Social para trabajadores autónomos. 2022. <https://www.sepe.es/HomeSepe/autonomos/incentivos-ayudas-emprendedores-autonomos/reducciones-bonificaciones-seguridad-social>, accessed 21 November 2022.

<sup>77</sup> Plan Estratégico de la Inspección de Trabajo y Seguridad Social 2021-2023, op. cit.. Objectives 3, 8, 30, 31. Actions 1.6, 3.1, 3.2, 30.1, 30.3, 31.2, 32.2.

<sup>78</sup> Art. 40 in relation to arts. 22.2, 22.3, 8.2, 7.3, 7.5, 22.16 of Royal Legislative Decree 5/2000.





data, and artificial intelligence to address issues such as the abuse of temporary labour contracts, undeclared work, sex discrimination and unequal pay, etc. As a result, in the period 2019-22, approximately 186 075 workers have been transferred from undeclared employment into the formal economy<sup>79</sup> and EUR 1 677 711 348 have been recovered.<sup>80</sup>

Transforming undeclared work into declared work is a strategic objective of the ITSS Strategic Plan 2021–2023. Actually, the number of labour relations that are formalised is one of its key performance indicators (KPI) in the Spanish national strategy. Other KPIs are: (a) the number of ITSS activities per year; (b) the total amount of social security contributions recovered; (c) the total amount of the fines imposed; and (d) the number of foreign workers without a working permit.<sup>81</sup>

Further improvements are expected, as the tool is in a process of constant development by two means: its design includes feedback mechanisms to expand its performance and the ITSS Strategic Plan 2021-2023 includes schemes for further improvement, such as visualisation of fraud patterns, enhancing the matching of available data and harmonising the format of data from different public sources.<sup>82</sup>

Besides, the School of the Labour and Social Security Inspectorate organises training programmes and activities to strengthen the capabilities of the inspectorate staff. By conducting research about new trends in undeclared work and by providing continuing training, the School specifically enables labour inspectors to detect and prevent undeclared work more efficiently. During the past few years, the ITSS School has also been using new teaching methodologies and, above all, new technologies, enabling it to stay up to date and relevant.<sup>83</sup>

As far as the collaborative economy is concerned, Spain has introduced exceptions for certain categories of dependent self-employed workers, which allow them to engage in collective bargaining.<sup>84</sup> Moreover, Royal Decree 9/2021<sup>85</sup>(the 'Riders' Law') recognises food-delivery riders working for digital platforms as employees rather than independent contractors. This piece of legislation follows the Spanish Supreme Court's decision in the case of Glovo.<sup>86</sup> Subsequently, the ITSS has been very active in inspecting the employment status of people working through platforms, and investigations have led in many instances to court cases. In a significant number of cases this has led to a reclassification of people working through platforms as employees.<sup>87</sup> In October 2020, the labour inspectorate registered 11 013 false self-employed workers from Glovo in the Social Security system and brought in EUR 16.2 million in unpaid contributions and sanctions.<sup>88</sup>

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<sup>79</sup> Ministerio de Trabajo y Economía Social. Resumen-Cuadro resumen de la actividad desarrollada de enero a diciembre de 2019 y 2020. [https://www.mites.gob.es/itss/web/Que\\_hacemos/Estadisticas/index.html](https://www.mites.gob.es/itss/web/Que_hacemos/Estadisticas/index.html), accessed 22 November 2022.

<sup>80</sup> Informe anual de la Inspección de Trabajo y Seguridad Social 2020, op.cit., p. 69.

<sup>81</sup> Informe anual de la Inspección de Trabajo y Seguridad Social 2020, op.cit., pp. 69, 70, 71, 77; Ministerio de Trabajo y Economía Social. Resumen-Cuadro resumen de la actividad desarrollada de enero a diciembre de 2019 y 2020. [https://www.mites.gob.es/itss/web/Que\\_hacemos/Estadisticas/index.html](https://www.mites.gob.es/itss/web/Que_hacemos/Estadisticas/index.html), accessed 25 November 2022.

<sup>82</sup> Good practice fiche - Spain: National Anti-fraud Office (ONLF) (2018). <https://www.ela.europa.eu/en/undeclared-work/virtual-library>, accessed 21 November 2022.

<sup>83</sup> See good practice fiche – Spain - [The Labour and Social Security Inspectorate School \(2019\). Spain](#).

<sup>84</sup> ILO (2021). World Employment and Social Outlook 2021: The role of digital labour platforms in transforming the world of work International Labour Office, Geneva, p. 24.

<sup>85</sup> [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-2021-7840](https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-7840), accessed 23 November 2022.

<sup>86</sup> It is applied 'for the activities of distribution of any type of product or merchandise, when the employer exercises its faculty of organisation, direction and control, directly, indirectly, or implicitly, through the algorithm management of the service or working conditions, via a digital platform'. Ruling of the Supreme Court (STS) n°. 805/2020, 25 September 2020.

<sup>87</sup> Hauben, H. and Bvba, E., in cooperation with ICF, op.cit., p. 5.

<sup>88</sup> Eurofound. Riders' law. Platform economy record. On-location platform-determined routine work. 20 August 2021. <https://www.eurofound.europa.eu/nl/data/platform-economy/initiatives/riders-law>, accessed 21 November 2022.



## 3.2 Main policy measures

The 2022 holistic approaches study<sup>89</sup> indicates that four types of measures are commonly used in Spain 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.

## 3.3 Good practices<sup>90</sup>

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 Spain:

- ▶ [A guide for inspectors on the collaborative economy and an annual training course](#) (2022). In 2019 the Spanish Labour and Social Security Inspectorate prepared a guide aiming to unify labour inspections in the collaborative economy sector. Previous inspections of digital platform companies served as the basis for the preparation of the guide. A biennial training course on collaborative platforms complements the guide.
- ▶ [An inspections campaign in the e-commerce and the collaborative economy \(2021\)](#). The Spanish Labour Inspectorate's (ITSS) Inspections Campaign, with a focus on e-commerce and the collaborative economy, began in 2018 and has had a significant impact in tackling undeclared work, most notably through the introduction of the landmark 'Riders' Law' that recognises delivery drivers as employees (and not as self-employed).
- ▶ [Telework legislation](#) (2021). In response to the COVID-19 outbreak and subsequent lockdown, the Spanish Government introduced legislation on teleworking (Royal Decree 28/2020) in October 2020 to support remote working in Spain. Specific regulations and software have been made available to check documents virtually and to contribute to tackling undeclared and under-declared work in this new context. Prior to this measure, the legislation related to teleworking was lacking, as the practice was uncommon in Spain.
- ▶ [Cooperation agreements to tackle cross-border fraud, letterbox companies and undeclared work](#) (2019). The phenomenon of 'letterbox companies' is growing, damaging both fair competition and workers' rights, as well as weakening the sustainability of the social security system. Workers are often channelled through LBCs, which are not declared to social security offices and/or tax departments. Notably, there is a greater number of fraudulent LBCs and flow of fraudulently posted workers between Spain and countries like Portugal, France and Romania. For this reason, Spain has sought to strengthen cooperation with these countries through cooperation agreements.
- ▶ [Joint inspections with Portugal to tackle undeclared work on fishing vessels and ensure compliance with the Maritime Labour Convention](#) (2019). The labour inspectorates in Portugal and Spain, in conjunction with maritime and fishing authorities, cooperated to organise joint inspections of fishing vessels for the purpose

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<sup>89</sup> Williams, C.C. and I. Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

<sup>90</sup> [Virtual library | European Labour Authority \(europa.eu\)](#).



of detecting undeclared work and illegal workers. Two different types of control are performed: (a) specific controls of undeclared work in the fishing sector, and (b) controls with regard to the Maritime Labour Convention (MLC) in the merchant marine sector.

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

### 3.4 Challenges and barriers

In Spain, policy options include measures to improve detection and deterrents, but there is a significant lack of action to raise awareness. Very often citizens engage in undeclared work when there is a lack of trust in government and a lack of understanding of the benefits of compliance. Thus, educational initiatives and awareness-raising campaigns could play a key role in tackling undeclared work. Besides, the Spanish strategy to tackle undeclared work includes a limited range of measures to foster commitment to declared work. Supply-side measures (i.e., to stimulate suppliers to operate declared) and demand-side measures (i.e., to encourage purchasers to buy declared goods and services) are also rather exiguous.

Another key challenge for the Spanish authorities is to produce statistical data on undeclared work, as no official data collection exists in Spain. Moreover, important sectoral challenges remain in PHS and in agriculture. Each of these two sectors accounts for a significant proportion of undeclared work by irregular immigrants, which is difficult to combat due to their unwillingness to denounce it. Promotion of decent working conditions and the requirement of national legislation to control migratory flows need to be calibrated to balance conflicting values.

Finally, as far as the collaborative economy is concerned, the ‘Riders’ Law’ may serve as an example for regularising other platforms where algorithms are used to manage the distribution of work. Eurofound considers this law can be a test case for other Member States on how lawmakers can respond to the debate on the employment relationship and, in parallel, to the growing lobbying power of delivery apps.<sup>91</sup>

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Spain	8.26	38%	31%	31%
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 (recoded 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.

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

<sup>91</sup> Eurofound, op.cit.



Additional macro-economic and structural conditions of institutions affecting the prevalence of undeclared work in Spain 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
<b>PENALTIES</b>	
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 ('blacklists')	No
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes
'Naming and shaming' lists	No
<b>RISK OF DETECTION</b>	
Workplace inspections	Yes
Online/desk-based inspections	Yes
Joint inspections with other national inspectorates	Yes
Announced inspections	No
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) <sup>92</sup>	Yes
Certification of business, certifying payments of social contributions and taxes	Yes
Notification letters	Yes
Mandatory ID in the workplace	Yes
Supply chain responsibility (e.g., joint and several liability, due diligence)	Yes
<b>INCENTIVES</b>	
<b>Supply-side measures (i.e., to stimulate suppliers to operate declared)</b>	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	No
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'Formalisation' advice to start-ups	No
'Formalisation' support services to existing businesses	No
Targeted VAT reductions	No
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	No
Provide free advice/training on record-keeping	No
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
<b>Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)</b>	

<sup>92</sup> [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared), accessed 21 November 2022.



Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	No
Targeted indirect taxes (e.g., VAT reductions)	No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	No
<b>FOSTERING COMMITMENT TO OPERATE DECLARED</b>	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	No
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	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)	No
Normative appeals to businesses to operate on a declared basis	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	No
Measures to improve labour, tax and/or social security law knowledge	Yes
Public information on the work and achievements of the enforcement authorities	Yes

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



# 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 undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Spain. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

**Table A.2. Trends in key structural drivers of undeclared work**

SPAIN				
INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
<b>A. FORMAL INSTITUTIONS</b>				
<b>I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES</b>				
<b>1. Level of modernisation of government</b>				
Government effectiveness (-2.5 to 2.5 (strong performance))	0.94	1.00	<span style="color: green;">■</span>	-
<b>2. Formal institutions acting in a corrupt manner</b>				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	65	62	<span style="color: red;">■</span>	-
Control of corruption (-2.5 to 2.5 (strong performance))	1.05	0.69	<span style="color: red;">■</span>	-
<b>II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES</b>				
<b>1. Modernisation Explanation - Level of 'development'</b>				
GDP (current prices, euro per capita)	23 060	26 440	<span style="color: green;">■</span>	31 300
Human Development Index (HDI) (0-1 (highest development))	0.861	0.908	<span style="color: green;">■</span>	-
Social Progress Index (SPI) (0-100 (high)) **	85.64	85.49	<span style="color: red;">■</span>	-
Self-employment (% of total employment)	15.7	14.9	<span style="color: green;">■</span>	13.4
<b>2. State intervention</b>				
Burden of government regulation (1-7 (best))	2.7	2.9	<span style="color: green;">■</span>	-
Business flexibility index (0-10 (high))	6.71	7.84	<span style="color: green;">■</span>	-
Expense of government (% of GDP)	31.7 <sup>1)</sup>	32.2	<span style="color: green;">■</span>	36.6
Research & Development expenditure (% of GDP)	1.36	1.25	<span style="color: red;">■</span>	2.23
Tax revenue (% of GDP)	13.7 <sup>1)</sup>	13.8	<span style="color: green;">■</span>	19.7
Social contributions (% of revenue)	43.3 <sup>1)</sup>	43.8	<span style="color: green;">■</span>	33.0
Impact of social transfers on poverty reduction (%)	24.16	23.05	<span style="color: red;">■</span>	32.38
Labour market policy (LMP) expenditure (% of GDP)	3.71	2.22	<span style="color: red;">■</span>	1.65
Unemployment rate (% of active population)	17.9	14.1	<span style="color: green;">■</span>	6.8
People at risk of poverty/social exclusion (% of total population)	24.7	25.3	<span style="color: red;">■</span>	20.9
Severe material deprivation rate (% of total population)	4.5	4.7	<span style="color: red;">■</span>	5.5
Inequality of income distribution (income quintile share ratio)	5.87	5.94	<span style="color: red;">■</span>	4.99
Gini coefficient (0-100 (perfect inequality))	32.9	33.0	<span style="color: red;">■</span>	30.2
Labour productivity (% change on previous period)	2.8	-0.6	<span style="color: red;">■</span>	0.7
<b>III. FORMAL INSTITUTIONAL POWERLESSNESS</b>				
Reliability of police services (1-7 (best))	5.7	6.3	<span style="color: green;">■</span>	-
Judicial independence (1-7 (best))	4.1	4.2	<span style="color: green;">■</span>	-
Rule of law (-2.5 to 2.5 (strong performance))	1.16	1.02	<span style="color: red;">■</span>	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.19	1.05	<span style="color: red;">■</span>	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.18	1.04	<span style="color: red;">■</span>	-
Trust in Government (% tend to trust)	29	21	<span style="color: red;">■</span>	35
Trust in Parliament (% tend to trust)	29	19	<span style="color: red;">■</span>	34
<b>IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY</b>				
Democracy Index (0-10 (full democracy)) ***	8.16	8.18	<span style="color: green;">■</span>	-
Political stability (-2.5 to 2.5 (strong performance))	-0.47	0.31	<span style="color: green;">■</span>	-
<b>B. INFORMAL INSTITUTIONS</b>				
Social capital (0-100 (high))	61.3	58.7	<span style="color: red;">■</span>	-
Tax compliance (0-10 (high))	7.79	8.40	<span style="color: green;">■</span>	-
Year:	2013	2019		

Acceptability of undeclared work (% total 'unacceptable')





Firm hires worker on undeclared basis	88	90	■	82
Undeclared work by firm for firm	92	91	■	85
Undeclared work by individual for private household	72	78	■	67
Undeclared work by firm for private household	87	90	■	82
Someone partially or completely conceals their income	91	86	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	33	41	■	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. (2020) 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.