



Factsheet on undeclared work – FINLAND

March 2023

¹ 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

In Finland the grey economy (or 'shadow economy') refers to activities in which statutory obligations are neglected, often for financial benefit.² Undeclared work is one aspect of the shadow economy³ and includes paid work that is not declared to public authorities in order to avoid employer obligations. Cash is not necessarily used, and the use of foreign bank accounts, neobanks and crypto currency have increased in connection to payment of black salaries. This means, that the salary is not declared to the Tax Authority, and social insurance payments (e.g., accident insurance premiums, employment pension, and unemployment insurance) are not paid. This is usually an agreement made between both parties of an employment relationship.⁴ Additionally, as the purpose is often to avoid employer obligations, employers fail to comply with other regulations such as industry specific agreements or working life governance. The actual employer can be hidden from the authorities through various ways eg. through subcontracting. A person in charge of the company may also illegally withdraw funds for themselves, or artificial arrangements may be made, whereby employment relationships are kept concealed. Some examples include neglecting to file monthly tax returns, underpayment of wages, or non-compliance with legislation on environmental protections.⁵ Newer digital forms of working and employment relationships have blurred the distinctions around what is taxable and when statutory payments are due. In spite of those forms of shadow economy, there is in Finland the target not to lose social benefits which are given to lower-income earners to ensure their costs of living are covered. As the total earning from a normal salary (through declared work) may be lower than the total earning from social benefits, one form of undeclared work in Finland is for the people who get social benefits to work undeclared in addition to receive the social benefits. The amount of which is unknown.

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 methodologies⁶.

² Definitions of the Grey Economy and Economic Crime (2021). Available at <https://www.vero.fi/en/grey-economy-crime/scope/definition/>, accessed 15 November 2022.

³ The grey economy is defined as otherwise-legal activities that are deliberately not recorded in order to avoid or to evade taxation (see <https://cepr.org/voxeu/columns/trying-glimpse-grey-economy>). The shadow economy is often defined as including both the undeclared economy (otherwise legal activities not reported to public authorities) plus the criminal economy/illegal activities (e.g., the production or trafficking of drugs, firearms, persons or money laundering forbidden by law). Ref: EU Platform Tackling UDW (2018), Glossary of Terms, available at: [Glossary v6-final.pdf](#)

⁴ Undeclared labour (2018). Available at: <https://www.vero.fi/en/grey-economy-crime/phenomena/undeclared-labour/>.

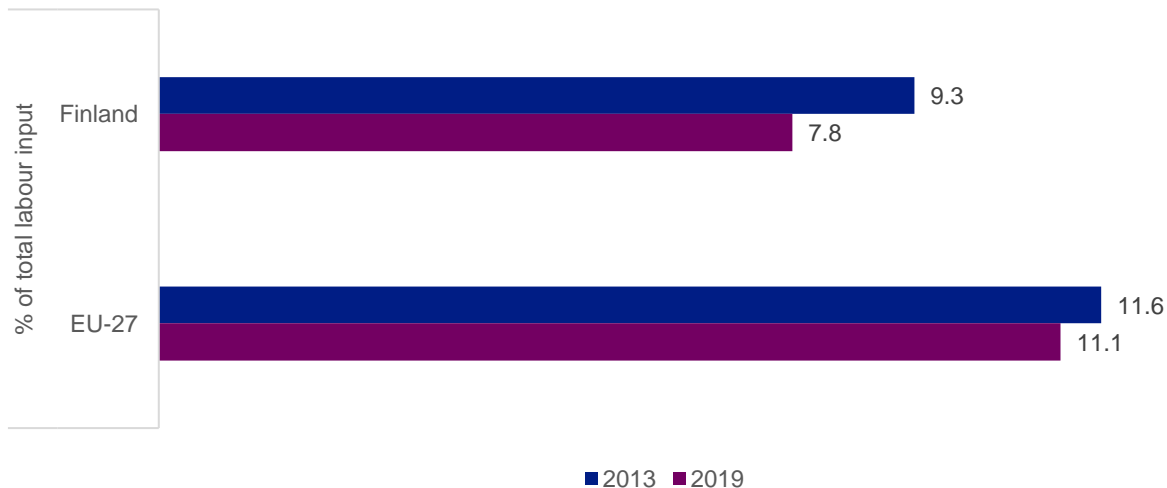
⁵ Definitions of the Grey Economy and Economic Crime (2021). Available at: <https://www.vero.fi/en/grey-economy-crime/scope/definition/>, accessed 15 November 2022.

⁶ 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.



Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,⁷ in 2019, 7.8 % of total labour input in the private sector in Finland was undeclared (9.3 % 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 Finland was lower compared to the EU-27 average (see Figure 1 below).

Figure 1. The scale of undeclared work in the private sector in Finland 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 Labour Authority. Figures 3 and 6. Retrieved on 30 November 2022.

In addition, the Grey Economy Information Unit of the Finnish Tax authority has studied and estimated the scale of undeclared work in Finland in 2022. Key data used in the study were tax audits carried out between 2014 and 2020 – a total of 7.500 audits. The gap’s size ranges from EUR 300 to 480 million, representing tax and social-insurance revenues that the State of Finland does not receive. The results of the reports make it evident that Finland’s existing strategy for combating the shadow economy and the related action plan governing the cooperation between public authorities must be maintained. Undeclared work and the losses in fiscal revenue resulting from it were examined for the first time in Finland. The total magnitude of illegal undeclared work in Finland is at least EUR 900 million, but may reach as high as EUR 1.4 billion every year. See the summary of the report⁸.

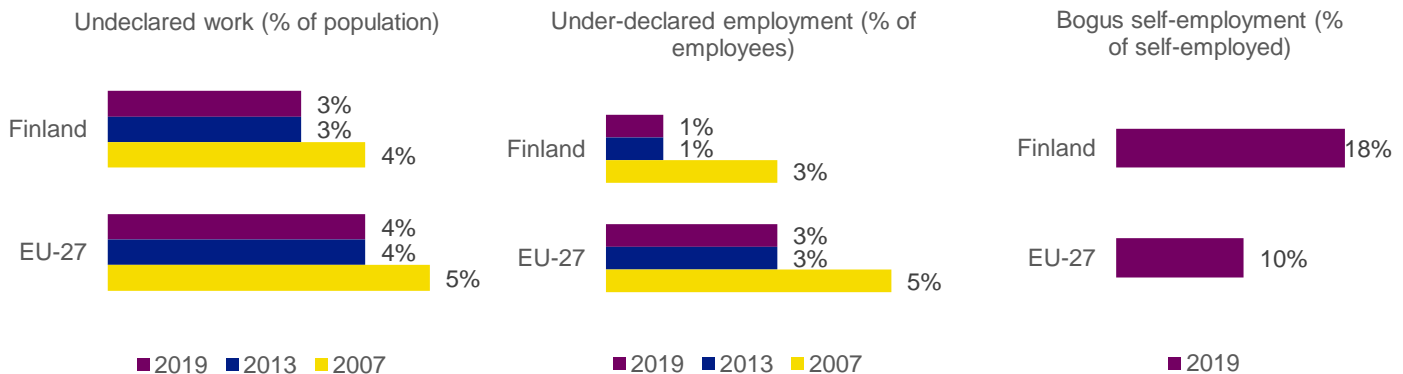
The figures below indicate the current state and development of undeclared and under-declared work and bogus self-employment between 2007 and 2019 for Finland, based on Eurobarometer surveys (see Figure 2 below). It should be noted that this is not a measure of the size of the undeclared economy. It 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 relationships⁹.

⁷ 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.

⁸ Tax Administration Bulletin, 11/22/2022, [Undeclared work in Finland may equal €1.4 billion per year - vero.fi](https://www.vero.fi/en/About-us/newsroom/lehdist%C3%B6tiedotteet/2022/undeclared-work-in-finland-may-equal-1.4-billion-per-year/), available at <https://www.vero.fi/en/About-us/newsroom/lehdist%C3%B6tiedotteet/2022/undeclared-work-in-finland-may-equal-1.4-billion-per-year/>, accessed 30 May 2023.

⁹ 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.

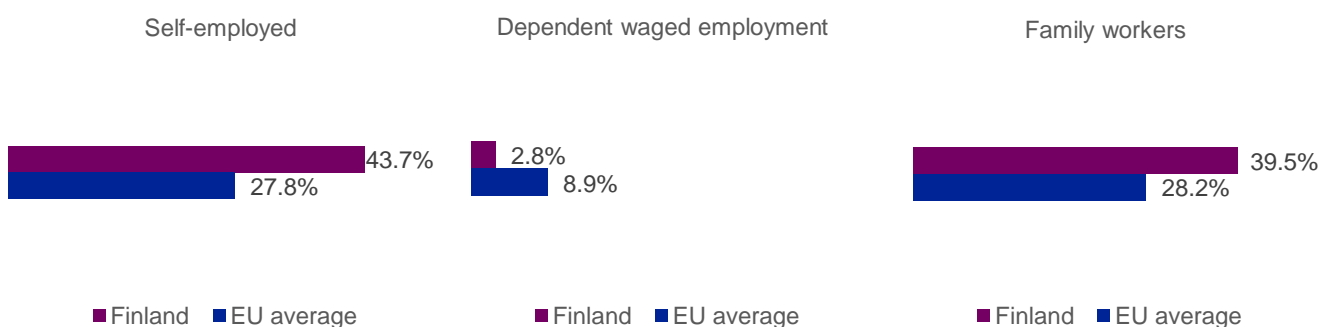
Figure 2. Composition of undeclared work, Finland and EU-27, 2007, 2013 and 2019



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 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) estimates,¹⁰ in Finland, 2.8 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 43.7 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 39.5 %¹¹.

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



Source: Francic, 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 Finland in 2019 using the LIM estimates (see Figure 4),¹² the proportion of undeclared labour input that is waged employment is 31.7 % (62.9 % in the EU-27), 68.1 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input

¹⁰ Francic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

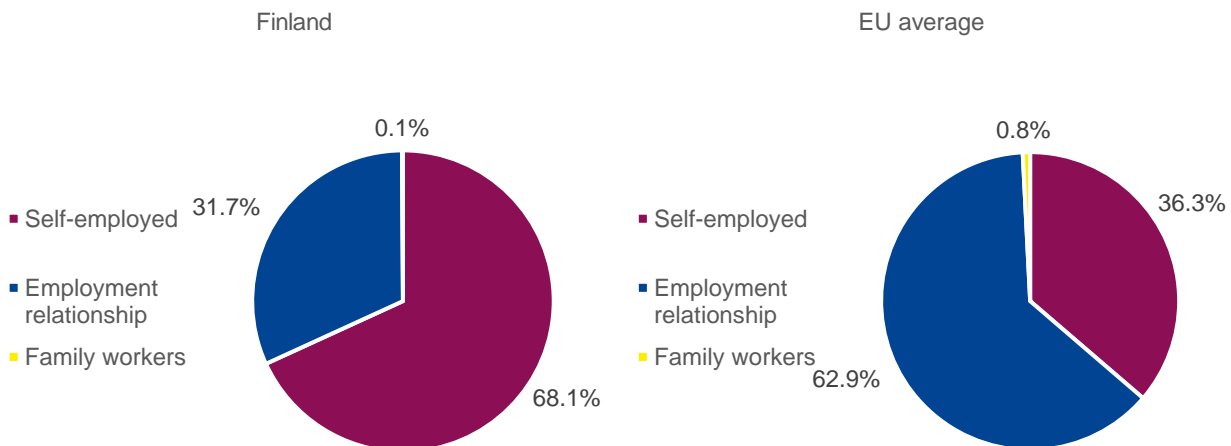
¹¹ This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

¹² Francic, J., Horodnic, I.A. and Williams, C.C. (2022).



that is family work is 0.1 % (0.8 % in the EU-27). Therefore, compared with the EU-27, waged employment is a smaller proportion of undeclared work and self-employment a larger share. This has implications for tackling undeclared work.

Figure 4. Structure of the undeclared labour market in the private sector, Finland 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.

The *Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime 2020-23*¹³ highlights that undeclared work is traditionally associated with 'labour-intensive' sectors or 'cash-intensive' sectors where unreported income and sales are more common. This includes industries such as construction or real estate. Increased amounts of foreign companies and labour in Finland mean that it is challenging to collect information in many sectors, meaning that the subcontracting chains of foreign actors can remain easily hidden.

While undeclared work is often associated with SMEs¹⁴, there is no available data for Finland on the distribution of undeclared work by employer size. Larger companies face income tax related challenges such as roving advantages for personnel.

There is little available data on the motivators of undeclared work in Finland, however contextual knowledge indicates some potential factors, such as heightened profitability risk in different sectors (especially during difficult economic conditions); a high tax rate and high employment expenses; and receipt of social assistance that catches individuals in an 'incentive trap' which prevents them from declaring minor assignments in order not to lose benefits.

"Light entrepreneurship" (working through an invoicing/billing service company) is a new phenomenon that has been raising in Finland over the past few years. In addition, the number of new working methods has increased, as can be the example of working through digital platforms. In relation to these, there are progressively more evidences by the authorities of social dumping, avoidance of employer's obligations and bogus self-employment.

¹³ Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020). Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-videot-ja-tiedostot/government-resolution-on-a-strategy--for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, accessed 6 December 2022

¹⁴ See Williams, C, (2014, *Informal Sector Entrepreneurship*, OECD Policy Briefing, Paris, 2014. Available at: SSRN: <https://ssrn.com/abstract=2731781> or <http://dx.doi.org/10.2139/ssrn.2731781>



The cases can even include the misuse of employees and human trafficking. Sometimes it is difficult to recognise underpayment from partly paid black salaries or envelope wages.

2.0 Institutional framework

2.1 Key organisations and their responsibilities for addressing undeclared work

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

Key institutional feature	Existence
A high-level coordinating body in the country	No
A national strategy for tackling undeclared work	Yes
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	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.¹⁵

Finland is an example of a country pursuing a coordinated approach at tackling undeclared work and economic crime. Action Plans for tackling the grey economy and economic crime has been carried out without interruption since 1996¹⁶. In April 2016 the Finnish Government adopted a *Strategy for Tackling the Shadow Economy and Economic Crime* for 2016–2020.¹⁷ The Ministry of the Interior appointed a steering group on the prevention of economic crime with responsibility for implementing the Strategy and drew up a separate Action Plan for 2016–2020. The government resolution on the Strategy and Action plan for 2020-2023 was issued on 11 June 2020 and continues this earlier work.

The Strategy and the Action Plan for tackling the grey economy and economic crime has four objectives¹⁸:

- (i) To promote healthy competition between companies and a fair labour market;
- (ii) To prevent the grey economy and economic crime;
- (iii) To ensure the ability of authorities to combat the grey economy and economic crime; and
- (iv) To develop measures to combat the grey economy and economic crime and improve cooperation between authorities.

¹⁵ Based on 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.

¹⁶ Strategy and action plan for tackling the grey economy and economic crime, <https://www.vero.fi/en/grey-economy-crime/prevention/torjuntaohjelma/>

¹⁷ The information in this paragraph was excerpted from the *Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020)*. Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-vidoot-ja-tiedostot/government-resolution-on-a-strategy-for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, accessed 6 December 2022

¹⁸ The following information was excerpted from ELA (2022), Operationalising holistic approaches to tackling undeclared work: Output paper from plenary thematic discussion, March 2022. Available at: https://www.ela.europa.eu/en/undeclared-work/virtual-library?country=All&file_sector=All&type=All&year=All&keywords=&page=0



The Strategy promotes a comprehensive, consistent, and effective approach combat grey economy activities and economic crime while promoting healthy competition and a fair labour market.

Recognising that grey economic activities and crime affect many authorities and cannot be solved alone or working in silos, the Ministry of Interior took on the role of coordinating the process in Finland. The process involved numerous Ministries (Interior, Justice, Economic Affairs and Employment, Social Affairs and Health, Information and Communication, Agriculture, Environment, Finance) and authorities (the Tax Authority, Police, Customs, the Finnish Centre for Pensions, the Regional State Authority, Prosecutors Office, the Competition and Consumer Authority, the Finnish Patent and Registration Office, the Office of Bankruptcy Ombudsman, the National Enforcement Authority Finland).¹⁹

According to the Action Plan, the main responsibility for action against the grey economy rests with **the Ministry of Economic Affairs and Employment**. A steering group on combating the grey economy, led by the Minister of Employment, is responsible for implementing and updating the Strategy and monitoring the implementation of the Action Plan (political level). The executive group led by **the Ministry of Interior** on combating the grey economy and economic crime, formed by representatives of ministries and authorities, report on the progress made with implementing the Action Plan to the steering group and if necessary, propose changes to the Strategy or the Action Plan. Nowadays, the so-called multi-authority co-operation is the key element combatting against the grey economy in Finland.

To implement the strategy, the action plan includes more than 20 projects and 50 policy measures which are carried out in cooperation between different ministries, agencies, and stakeholders.²⁰ The government has reserved some EUR 15 million in funding for the implementation of the Action Plan for the period 2020–2023. Actions to tackle the grey economy will focus on prevention, with the funding helping to ensure that the work of the authorities is improved through more effective cooperation between authorities and improved access to and exchange of information.²¹

The implementation of the programme requires activities of different ministries and authorities. The Ministry of Economic Affairs and Employment is in charge of fair competition between companies and non-discrimination in working life. When promoting the functioning of the market, the Ministry has appointed the Management (steering) Group for grey economy issues in order to promote the follow up to the Government programme implementation. The Ministry of Finance is responsible for taxation. The Ministry of Social Affairs and Health is in charge of social security and occupational safety and health and the Regional State Administrative Agencies are in charge of the supervision and direction of standards and practices in workplaces. The Ministry of Justice is responsible for the drafting of the most important laws, the functioning of the judicial system and the enforcement of sentences. The Ministry of Environment and the Ministry of Transport and Communication are also involved.

There are a number of central authorities in Finland performing different roles to combat undeclared work.²² The national authorities responsible for combating undeclared work in Finland include the following:

¹⁹ ELA (2022), Operationalising holistic approaches to tackling undeclared work Output paper from plenary thematic discussion, March 2022. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4286732, accessed 6 December 2022.

²⁰ Williams, Colin C. (2020), Developing a Holistic Integrated Strategic Approach towards Undeclared Work: A Toolkit, prepared for the Regional Cooperation Council: Western Balkan Network tackling undeclared work. Available at: [DEVELOPING-A-HOLISTIC-INTEGRATED-STRATEGIC-APPROACH-TOWARDS-UNDECLARED-WORK-A-TOOLKIT.pdf \(researchgate.net\)](https://www.researchgate.net/publication/354111111)

²¹ [Ministers Haatainen and Pekonen: Active cooperation between companies, organisations and the authorities required to tackle undeclared work - Prime Minister's Office \(vnk.fi\)](https://www.vnk.fi/en/press-releases/2020/09/22), Ministry of Economic Affairs and Employment Press release from Ministry of Social Affairs and Health. Publication date, 22 September 2020.

²² ELA (2022). Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit (March 2022), unpublished.



- ▶ **Finnish Tax Authority**²³ (*VeroSkatt*) is the revenue service of Finland. It is a government agency steered by the Ministry of Finance and plays a major role in combating the shadow economy, and handling tax-related and other forms of economic crime. Cooperation between the Tax Administration and other authorities ensures a holistic approach to identifying, combating, and monitoring various shadow economy phenomena;²⁴
- ▶ **The Police (*Polisi*)** cooperate with other authorities to help prevent and detect undeclared work and economic crime. In 2022 the police organised several surveillance raids in cooperation with other authorities, for instance in the transport sector, and took actions related to the crime of human trafficking;²⁵
- ▶ **Finnish Labour Inspectorate:** The Occupational Safety and Health Authority (OSH) (There are five Occupational Safety and Health Divisions of Regional State Administrative Agencies in Finland). The OSH²⁶ monitors and enforces employer compliance with labour legislation with the objective of influencing safety management and working conditions in workplaces, preventing violations of the terms of employment and other common rules. The OSH Divisions at the five Regional State Administrative Agencies (AVIs)²⁷ act as the competent authorities in their regions and are steered by the Ministry of Social Affairs and Health. Workplace inspections are the main tool for OSH enforcement. Supervision of employers for the purpose of preventing the use of foreign employees with no right to work in order to prevent the use of illegal labour as well as the underpayment of wages, human trafficking, and undeclared work is an important aspect of the work carried out.
- ▶ **Finnish Customs**²⁸ facilitates trade in goods and ensures its correctness, levies taxes on goods efficiently, offers customer-oriented services, and protects society, the environment, and citizens.²⁹ Customs, for example, is responsible for collecting customs duties, for customs control of import and export goods and of international traffic as well as other customs measures.
- ▶ **The Finnish Border Guard (*Raja*)**^{30,31} is a cooperative expert in border management and maritime safety and security that aims to ensure the safety and security of people, the environment, and the state in an efficient manner.³²

Depending on the issue arising in relation to undeclared work, it is the responsibility of the relevant authority to address it. For example, where social security contributions arising from an employment relationship are withheld, it is the responsibility of the Finnish Centre for Pensions³³ or the Tax Authority to deal with it. The Social Insurance Institution of Finland³⁴ is responsible for the fraudulent receipt of social benefits related to an employment relationship. Labour inspectorates and the police deal with workers employed under exploitative working conditions, while social partners who are party to a particular collective bargaining agreement control its

²³ [Tax Authority Information for Individuals](#) | Vero Skatt, accessed 6 December 2022

²⁴ See Authorities - [Harmaa talous & talousrikollisuus](#) (vero.fi)Finnish

²⁵ See [Police prevents undeclared work together with other authorities - Police \(poliisi.fi\)](#)

²⁶ See [Home - Tyosuojelu.fi - Occupational Safety and Health Administration](#)

²⁷ The OSH Divisions at the Regional State Administrative Agencies include, Northern Finland, Eastern Finland, Western and Inland Finland, Southwestern Finland, Southern Finland. Agencies' duties include carrying out client-initiated and authority-initiated OSH enforcement; investigating reasons for serious occupational accidents, occupational diseases and work-related illnesses and to take measures to prevent them; carrying out product control; taking part in handling labour crimes. See Annual report of the Occupational Safety and Health Administration in Finland 2019, Available at:

https://www.tyosuojelu.fi/documents/95118/2556216/TSH_vuosikertomus_2019_EN.pdf/

²⁸ [Home Page](#) | Tulli, contact: johtokeskus@tulli.fi, accessed 6 December 2022

²⁹ See: [Finnish Customs - Suomi.fi](#)

³⁰ ELA (2022). Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit (March 2022, unpublished).

³¹ [What We Do](#) | Raja, contact: rajavartiolaitos@raja.fi, accessed 6 December 2022

³² Finnish Border Guards Annual Report 2021. Available at: [Rajavartiolaitoksen vuosikertomus 2021](#)

³³ [Expert information on earnings-related pensions and the pension system in Finland](#) (etk.fi), contact: firstname.lastname@etk.fi, accessed 5 December 2022

³⁴ [Our Services](#) | Kela, contact: kirjaamo@kela.fi, accessed 5 December 2022



compliance - labour inspectorates control the compliance of employers who are not members of social partner organisations.

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

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	No
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
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	Yes
Establishing relevant contacts through their networks of members	Yes
Serving as access points to corporate databases	No
Conduct workplace inspections	Yes

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.

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 is as follows.

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

Authority	Legal framework
Labour Inspectorates	Act on Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health and Workplaces Act on the Contractor's Obligations and Liability when Work is Contracted Out (1233/2006)



	Act on Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health at Workplaces(44/2006) Act on Posting Workers (447/2016)
Finnish Tax Authority	The Act on Publicity and Confidentiality of Tax Information (1346/1999), Act on Tax Administration (503/2010), Act on the Openness of Government Activities (621/1999) Act on Taxation Procedure (1558/1995)
Finnish Customs	Customs Act (304/2016)
The Finnish Border Guard	Border Guard Act (578/2005)
Police	Police Act, Criminal Investigation Act, Coercive Measures Act

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 Finland

There has previously been little information available on the nature and models of cooperation between organisations with an interest in tackling undeclared work in Finland. Prior to the Strategy and Action Plan for Tackling the Grey Economic and Economic Crime 2020-23 (adopted in June 2020), there was a 2016-2020 agreement (adopted April 2016). This included a focus on internationalisation, a holistic approach to the formulation of the Strategy, and consistency in efforts to tackle the shadow economy and its anticipated progress in the long term. A key focus was placed on preventative action and collaboration between authorities. The 2016-2020 Strategy predominantly focused on the Grey Economy Information Unit (GEIU) and the Tax Administration. Moreover, some obligations were set out for the Labour Inspectorate pertaining to supervision. The 2020-23 plan^{35,36,37} continues this focus, with a view to intensifying partnership working and cooperation across the relevant authorities (so-called multi-authority co-operation). This cross-agency cooperative model has proven to be quite effective in Finland already.³⁸ Continuing this will be beneficial for preventing undeclared work, in particular, the more serious facets such as the abuse and exploitation of foreign labour and human trafficking. The Strategy cites particular means to achieve this, namely:³⁹

- ▶ A legislative project to expand the information disclosure obligations of third parties in the platform economy. In addition, the information disclosure obligations of third parties will be determined more broadly. Ensuring access to financial institution information for tax control will be assessed;

³⁵ Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020). Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-videot-ja-tiedostot/government-resolution-on-a-strategy--for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, accessed 6 December 2022

³⁶ Strategy and action plan for tackling the grey economy and economic crime (2020). Available at: <https://www.vero.fi/en/grey-economy-crime/prevention/torjuntaohjelma/>, accessed 6 December 2022

³⁷ Ministry of the Interior. Tax fraud is the most common economic crime. Available at: <https://intermin.fi/en/police/economic-crime-and-the-shadow-economy>, accessed 6 December 2022

³⁸ Carlsen et al (2020). Combating undeclared work: recommendations, procedures and challenges. Report to the Nordic-Baltic Working Group.

³⁹ Ministry of the Interior. Tax fraud is the most common economic crime. Available at: <https://intermin.fi/en/police/economic-crime-and-the-shadow-economy>, accessed 6 December 2022



- ▶ Determining blind spots in communication and analyses during cooperation of authorities from several branches of government in the control of labour immigration;
- ▶ An assessment of the efficiency of current information exchange, including the implementation of a shared online site for authorities.

The efforts by authorities are often supported by companies, private individuals, and legislation to create a societal framework.⁴⁰ In 2016 the Ministry of Employment and the Economy in Finland established a national network of cooperation between authorities to promote the work of the EU Platform tackling undeclared work, also established in 2016. A key task of the network is to share information with various actors about the cooperation, monitoring methods, new phenomena, and best practices as well as promote national strategies, actions, and programmes to combat undeclared work at the national and international level.⁴¹ The Finnish Centre for Pensions, for example, participates in the work of the network.⁴²

In 2021 a national project was launched to develop multi-authority cooperation as part of the government's programme to combat the grey economy and economic crime.⁴³ The project which is ongoing until the end of 2023 aims to improve cooperation between the OSH authorities and other authorities in the fight against undeclared work and the grey economy. It describes, analyses, and models good practices for multi-authority cooperation in the field of supervision, develops common risk-based principles for selecting areas for supervision, and improves the exchange of information between authorities and use of information as a basis for supervision. In 2021 work was carried out to examine the current state of cooperation and exchange of information between the authorities in the OSH Administration and to list the authorities participating in the project. Inspectors were also provided with nationwide training to familiarise them with undeclared work as a phenomenon.

The Grey Economy Information Unit (GEIU)⁴⁴ was established in 2011 as part of the Government programme against the shadow economy. It is a central unit that produces and shares information on undeclared work and other undeclared economic activity. Additionally, the Unit's Compliance Report Service acts as a single point of access where (permitted) public authorities can obtain information on organisations and individuals within organisations that are potentially engaged in undeclared work.^{45,46} Authorities with the appropriate legal permissions can become a client of the GEIU and access the reports available.

An increase in partnership working between social partners and authorities has been highlighted as a vital part of the strategic objective for tackling undeclared work.⁴⁷ Here, social partners are defined as representatives of management and labour (i.e., trade unions and employers' organisations). The 2022 holistic survey data shows that Finland⁴⁸ has fully adopted building partnerships with social partners in enforcement, that such partners have been identified and that the relationships are clearly defined by authorities, while staff have been tasked with not only building partnerships but also ensuring that any issues are being addressed. While social partners in Finland are regularly engaged in joint actions (e.g., information and awareness campaigns), there has been no progression

⁴⁰ Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020). Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-videot-ja-tiedostot/government-resolution-on-a-strategy--for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, accessed 6 December 2022

⁴¹ [International cooperation - Ministry of Economic Affairs and Employment \(tem.fi\)](#)

⁴² See [Expert Networks - Finnish Centre for Pensions \(etk.fi\)](#)

⁴³ The information on the national project to improve cooperation between authorities was excerpted from the [Annual Report of the OSH Administration in Finland 2021 \(tyosuojelu.fi\)](#)

⁴⁴ [Grey economy & economic crime - Harmaa talous & talousrikollisuus \(vero.fi\)](#), accessed 6 December 2022

⁴⁵ European Platform – Tackling Undeclared Work (2019). The Grey Economy Information Unit.

⁴⁶ Carlsen et al (2020). Combating undeclared work: recommendations, procedures and challenges. Report to the Nordic-Baltic Working Group.

⁴⁷ 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.

⁴⁸ 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



towards transparent agreements between parties. Thus, outcomes of partnerships cannot be evaluated, with no results available to share.

2.2.3 Cooperation with other Member States

International cooperation with EU Member States involves the use of networks, network tools, and work platforms, in particular, development tasks, campaigns, and preparation of legislation as well as individual inspection cases.⁴⁹ Cooperation to combat undeclared work takes place between the Nordic and Baltic countries. Finland is part of the Nordic Baltic Network which shares knowledge and experience on sharing the risks and effects of combating undeclared work.⁵⁰ The group includes the Nordic countries (Finland, Denmark, Sweden, Norway, and Iceland) as well as Estonia, Latvia and Lithuania. The group was established after the Nordic-Baltic initiative fighting undeclared work project, which had the aim “to strengthen already established co-operation within each country through cross-border inspection and mutual learning activities – and by bringing together, highlighting and sharing good practices.”⁵¹ A bilateral agreement with Estonia has also been in place since 2014 for cross-border joint inspections.^{52,53}

At European level cooperation exists with the European Labour Authority (ELA) and the European Union’s law enforcement agency Europol.⁵⁴ Particular attention has been paid to the construction, transport, and agricultural sectors as well as the platform economy, while multi-authority cooperation also helps to prevent labour exploitation and human trafficking.⁵⁵ The national network for combating undeclared work cooperates closely with the European Platform tackling undeclared work which operates under the auspices of ELA.⁵⁶

3.0 Policy focus and measures

3.1 Policy approach

The Finnish approach to fighting the grey economy, economic crime and undeclared work has been ratified in special action programmes since 1996. These have been ratified by the government and depend on co-production between different authorities and representatives of the private sector, in particular with business and trade unions. The most recent approach promotes a comprehensive, consistent, and effective approach to combating the grey economy and economic crime, preventing grey economy activities and economic crime in business, and striving for a fair yet competitive economy⁵⁷. The 2020-23 strategy sets out 4 key objectives:

⁴⁹ [Annual Report of the Occupational Safety and Health Administration in Finland 2019 \(tyosuojelu.fi\)](#); [Annual Report of the OSH Administration in Finland 2021 \(tyosuojelu.fi\)](#)

⁵⁰ Combating Undeclared Work: Recommendations, Procedures and challenges, Report to Nordic-Baltic Working Group 2020. Available at: [Combating Undeclared Work: Recommendations, Procedures and Challenges \(vinnumalastofnun.is\)](#)

⁵¹ See [nordbalt-udw-final-inspection-report.pdf \(vinnumalastofnun.is\)](#)

⁵² ELA (2020) Guidelines for concerted and joint inspections, Annex 4. Available at: https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf, accessed 6 December 2022

⁵³ Agreement on Cooperation between the Labour Inspectorate of Estonia and the Division of Occupational Health and Safety of the Regional State Administrative Agency for Southern Finland. Available at: <https://ec.europa.eu/social/ajax/BlobServlet?docId=19451&langId=en>, accessed 6 December 2022

⁵⁴ [Annual Report of the OSH Administration in Finland 2021 \(tyosuojelu.fi\)](#)

⁵⁵ [Annual Report of the OSH Administration in Finland 2021 \(tyosuojelu.fi\)](#)

⁵⁶ [Annual Report of the OSH Administration in Finland 2021 \(tyosuojelu.fi\)](#)

⁵⁷ Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020). Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-videot-ja-tiedostot/government-resolution-on-a-strategy--for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, accessed 6 December 2022



- ▶ Promoting healthy competition between companies and a fair labour market;
- ▶ Preventing grey economy and economic crime;
- ▶ Ensuring the ability of authorities to combat the grey economy and economic crime; and
- ▶ Developing measures to combat the grey economy and economic crime and improving cooperation between authorities.

The Finnish approach is multi-method ranging from preventative, awareness rising to increasing ex-post control and strengthening the investigation of economic crime. The effective cooperation and exchange of information between public authorities is a key factor when detecting, combating and investigating financial crimes or undeclared work. A special unit undertaking analysis of the shadow economy was established in 2011⁵⁸ under the auspices of Tax administration, and additional funding was provided to authorities. The 2020-23 strategy will be implemented through a EUR 15 million action plan that includes more than 20 projects and over 50 measures to be carried out in cooperation between different ministries, agencies, and stakeholders⁵⁹. It is accepted that the Strategy and Action Plan may need to be updated and adapted, made possible by, for example, monitoring, assessing the impact of legislative amendments and efficiency of actions, and surveying businesses⁶⁰. An evaluation of the entire programme will also be prepared at the end of 2023 (to be decided).

The Government of Finland adopted in March 2023 a resolution on a strategy to prevent and combat labour exploitation⁶¹. The strategy includes long-term objectives to help Finland respond more effectively to the exploitation of foreign labour. The objectives also support cooperation between the authorities and the inclusion of migrants in Finnish society. Due to the parliamentary elections in April 2023, it is up to the next Government to decide on the future policies and practical actions needed in this area.

3.2 Main policy measures

The 2022 holistic approaches study⁶² indicates that four types of measures are commonly used in Finland to tackle undeclared work - predominantly the use of:

- ▶ Initiatives to increase the risk of detection, including workplace, online, cross-border and joint inspections;
- ▶ Measures to foster a commitment to declared work, such as campaigns to inform suppliers of the risks of undeclared work and improve knowledge on the achievements of enforcement authorities;
- ▶ Some supply-side measures to stimulate suppliers, including simplified procedures and compliance lists; and
- ▶ Some penalties and fines for engagement in undeclared work or previous non-compliance.

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

⁵⁸ European Platform – Tackling Undeclared Work (2019). The Grey Economy Information Unit.

⁵⁹ Ministry of Economic Affairs and Employment & Ministry of the Interior (2020). Government tackles the grey economy with a comprehensive action plan. Available at: <https://valtioneuvosto.fi/en/-/1410877/hallitus-torjuu-harmaata-taloutta-laajalla-toimenpideohjelmalla>, accessed 6 December 2022

⁶⁰ UDW-Platform (2022). Designing evaluation into strategic action plans: the Finnish experience [Presentation] (November 2022).

⁶¹ <https://valtioneuvosto.fi/en/-/1410877/government-resolution-helps-prevent-and-combat-labour-exploitation-in-finland>

⁶² 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.



3.3 Good practices⁶³

Good practices in tackling undeclared work have been explored by the European Platform tackling undeclared work.⁶⁴ The following good practices addressing undeclared work are identified in Finland:

- ▶ [Operational models to combat undeclared work through joint action and cooperation](#) (2022): The Finnish government adopted a strategy and an action plan in 2020 for tackling the grey economy and economic crime for 2020-2023 which focuses on prevention, more effective access to information, and collaboration between relevant stakeholders. The action plan includes over 20 projects and 50 concrete measures, which will be carried out in cooperation with different ministries, agencies, and social partners.
- ▶ [The Foreign Labour Inspection Unit](#) (2021): The Foreign Labour Inspection Unit's work focuses on verifying that employers have ensured that foreign employees have the right to work legally in Finland and that the terms and conditions of their employment agreements comply with the statutory minimum requirements of Finnish labour law. It aims to intervene early in cases of undeclared work and labour exploitation of third-country nationals and EU mobile workers.
- ▶ [Cooperation and information sharing between enforcement authorities tackling undeclared work in the air transport sector](#) (2020): Enforcement authorities have developed cooperation and information sharing on employment issues in the air transport sector (particularly concerning air crew). This provides guidelines and helps clarify which rules apply to better identify cases of undeclared work.
- ▶ [The Grey Economy Information Unit](#) (2019): The Grey Economy Information Unit (GEIU) was established in 2011 to promote the fight against the grey economy. It produces and shares information on undeclared work and other undeclared economic activity. Through its Compliance Report Service it provides a single point of access for permitted public authorities to gain information on organisations and individuals within organisations suspected of engaging in undeclared economic activity.
- ▶ [The Incomes Register](#) (2019): The Finnish Incomes Register provides an up-to-date, comprehensive repository of individual earnings, social insurance contributions, benefits and pensions data which various authorities and all employers are obliged to report. It deters undeclared work by allowing the Finnish Tax Administration to establish whether all required payments have been made, reducing the likelihood of companies not reporting all incomes or reporting inconsistent information to different authorities.

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

3.4 Challenges and barriers

Undeclared work is slightly lower than the EU-27 average in all areas.⁶⁵ The total percentage of the population in undeclared work is 3 %, and 1 % for undeclared employment (compared with 5 % and 5 % in the EU-27 respectively). This, however, does not mean that Finland does not face challenges and barriers. While the statistics may be low, undeclared work has increased in recent years.⁶⁶ A current challenge in Finland is the involvement of foreign workers in such work, who often risk discrimination, forced labour, or trafficking.⁶⁷ This increased risk follows recent migration of labour from Baltic and former Soviet countries who are unfamiliar with their legal rights or unable to communicate due to language barriers. Some examples of where such workers have been found is

⁶³ See Williams and Horodnic, 2022.

⁶⁴ [Virtual library | European Labour Authority \(europa.eu\)](#)

⁶⁵ 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.

⁶⁶ Undeclared labour (2018). Available at: <https://www.vero.fi/en/grey-economy-crime/phenomena/undeclared-labour/>, Accessed 6 December 2022

⁶⁷ [Virtual library | European Labour Authority \(europa.eu\)](#)



in food delivery riders,⁶⁸ and as recently as April 2022, workers with no legal right to work were found during 1 in 5 of every Finnish workplaces inspected.⁶⁹

Despite the fact that Finland has in place a national strategy for tackling undeclared work, *Government Resolution on a Strategy and an Action Plan for Tackling the Grey Economy and Economic Crime 2020-23*⁷⁰, cooperation and collaboration between authorities remains a barrier to tackling undeclared work; a crucial part of the policy focus. This is increasingly relevant, given that the forms of undeclared work are constantly advancing through online means. This fast advancement is one of the biggest challenges for tackling undeclared work due to the gap in information exchanges and the development of new instruments that hamper the ability of authorities to combat cyber-based contributions to the grey economy.

The data presented in Annex 1 also highlights that Finland’s supply-side measures are less developed compared to other policy areas, such as the various measures that focus on risk of detection.

While low tax morale and vertical trust are among the key drivers of participation in undeclared work, in the case of Finland, however, citizens' perceptions of tax morale and vertical trust is higher on average than in the EU, and lower for horizontal trust (see table 4).

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Finland	9.15	26 %	73 %	73 %
EU-27 average	8.55	36 %	49 %	49 %

Source: Williams, C.C and Horodnic I.A. (2020), European Platform tackling undeclared work. Figures 35, 36 and 37. Retrieved on 28 October 2022. [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.

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

⁶⁸ Hauben, H (2021). 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. European Platform tackling undeclared work

⁶⁹ Customs (2022). Current issues. Available at: <https://www.vero.fi/en/grey-economy-crime/prevention/current-issues/>, Accessed 6 December 2022

⁷⁰ Government Resolution on a Strategy for Tackling the Grey Economy and Economic Crime for 2020-2023 (2020). Available at: <https://www.vero.fi/globalassets/harmaa-talous-ja-talousrikollisuus/torjunta/kuvat-videot-ja-tiedostot/government-resolution-on-a-strategy-for-tackling-the-grey-economy-and-economic-crime-for-20202023.pdf>, Accessed 6 December 2022



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 ⁷¹
Use of penalties to transform undeclared work into declared work	No
Penalties for people or businesses who buy undeclared work	No
Reclassifying false employment relationships (e.g., bogus self-employment)	No
Use of non-compliance lists ('blacklists')	No
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	No
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) ⁷²	Yes
Certification of business, certifying payments of social contributions and taxes	No

⁷¹ Administrative sanctions cover situation where administrative obligations have been violated. Fines are imposed in cases of misuse of labour, however there are no direct sanction if a person has performed undeclared work as such. Criminal sanctions to employers are imposed if there is a major violation of labour law (like discrimination or working without a work permit).

⁷² [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared)



Notification letters	No
Mandatory ID in the workplace	Yes ⁷³
Supply chain responsibility (e.g., joint and several liability, due diligence)	Yes ⁷⁴
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	Yes
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	Yes
Provide free advice/training on record-keeping	No
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	No
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	Yes
Targeted indirect taxes (e.g., VAT reductions)	No
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

⁷³ This only applies in the construction sector and shipyards.

⁷⁴ Only the due diligence aspect is covered by law, please see <https://www.tyosuojelu.fi/web/en/grey-economy/contractor-s-obligations-and-liability/negligence-fee>



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	Yes
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 the extent of undeclared work. The trends in each driver display whether it improved (“green”) or worsened (“red”) in Finland. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
FINLAND				
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))	2.23	2.00	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	90	86	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	2.24	2.15	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of ‘development’				
GDP (current prices, euro per capita)	34 040	43 440	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.907	0.939	■	-
Social Progress Index (SPI) (0-100 (high)) **	88.67	90.48	■	-
Self-employment (% of total employment)	12.6	11.8	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	4.3	4.9	■	-
Business flexibility index (0-10 (high))	7.61	7.96	■	-
Expense of government (% of GDP)	38.2	37.0	■	36.6
Research & Development expenditure (% of GDP)	3.73	2.80	■	2.23
Tax revenue (% of GDP)	18.9	20.7	■	19.7
Social contributions (% of revenue)	33.7	32.0	■	33.0
Impact of social transfers on poverty reduction (%)	47.33	53.97	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	2.61	2.02	■	1.65
Unemployment rate (% of active population)	8.3	6.8	■	6.8
People at risk of poverty/social exclusion (% of total population)	16.9	15.6	■	20.9
Severe material deprivation rate (% of total population)	2.8	2.4	■	5.5
Inequality of income distribution (income quintile share ratio)	3.71	3.69	■	4.99
Gini coefficient (0-100 (perfect inequality))	25.9	26.2	■	30.2
Labour productivity (% change on previous period)	-5.7	-0.6	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	6.6	6.7	■	-
Judicial independence (1-7 (best))	6.5	6.6	■	-
Rule of law (-2.5 to 2.5 (strong performance))	1.96	2.05	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.81	1.85	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.47	1.56	■	-
Trust in Government (% tend to trust)	48	56	■	35
Trust in Parliament (% tend to trust)	53	62	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	9.19	9.25	■	-
Political stability (-2.5 to 2.5 (strong performance))	1.46	0.85	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	72.7	73.4	■	-
Tax compliance (0-10 (high))	7.28	8.99	■	-
	Year:	2013	2019	
Acceptability of undeclared work (% total ‘unacceptable’)				
Firm hires worker on undeclared basis	92	92	■	82
Undeclared work by firm for firm	94	94	■	85
Undeclared work by individual for private household	76	72	■	67



Undeclared work by firm for private household	93	90	■	82
Someone partially or completely conceals their income	93	89	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	30	26	■	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.