



# Factsheet on undeclared work – ITALY

**March 2023**

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



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# 1.0 Nature and estimated scale of undeclared work

## 1.1 Legal definition

For the last two decades, Italy has been adopting a wide range of deterrent and preventative measures to tackle undeclared work.<sup>2</sup> Thus, the establishment of a legal definition determining what type of activities are prohibited is a necessary precondition to apply sanctions and incentives to promote regularisation. In the Italian legal framework, the definition of undeclared work includes two elements<sup>3</sup>:

- ▶ Lack of prior notice of employment: the employer must have failed to make the prior notice of establishment of the employment relationship which, pursuant to art. 9-bis of [Legislative Decree no. 510/1996](#), must be carried out within 24 hours of the day prior to the establishment of the relative relationship.
- ▶ Subordination: the employment relationship should comply with the requirements of subordination pursuant to the provisions of Article 2094 of the [Civil Code](#).

Article 2094 of the Civil Code<sup>4</sup> states that a subordinate worker is someone who undertakes to collaborate with an enterprise by supplying his or her own intellectual or manual labour, under the direction of the employer and in return for remuneration. Thus, Italian legislation establishes the principle of the ‘primacy of facts’, whereby determining the existence of an employment relationship should be guided by the facts relating to the actual performance of work. In situations of undeclared work, the law establishes the possibility of reclassifying the employment relationship.<sup>5</sup>

In Italy, specific legal definitions apply to the various different facets of undeclared work, as each facet has a different legal treatment and in particular the following:

- ▶ Articles 2094 and 2222 of the Civil Code respectively define the criteria of subordination and of autonomous work, thus determining what is ‘bogus self-employment’.
- ▶ Article 2098 of the Civil Code defines situations of ‘non-declaration of employer status’ which relate to labour supply operations and are different from legal temporary work.
- ▶ Article 2116 of the Civil Code refers to situations of ‘undeclared or under-declared social security contributions’.

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<sup>2</sup> Such measures involved three different types of intervention: preventive-promotional (Law 383/2001), incentives (Law 296/2006), deterrent/sanctioning (Legislative Decree 81/2008 and Law 9/2014; Legislative Decree 510/1996, Decree Law 12/2002 conv. into Law 73/2002, Legislative Decree 183/2010)

<sup>3</sup> *Direzione centrale coordinamento giuridico. Maxisanzione per Lavoro Sommerso. Aggiornamento 19 aprile 2022.* <https://www.ticonsiglio.com/wp-content/uploads/2023/05/vademecum-maxisanzione.pdf>, Accessed 12 December 2022.

<sup>4</sup> Regio Decreto 16 marzo 1942, n. 262. Approvazione del testo del Codice civile. Consolidated version can be consulted at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:codice.civile:1942-03-16;262>, accessed 12 December 2022.

<sup>5</sup> Williams, C.C., Llobera, M., Horodnic I.A. (2020), *Tackling undeclared work in the collaborative economy and bogus self-employment*. European Platform tackling undeclared work, March 2020, p. 51.



- ▶ Article 3 of Legislative Decree 17 July 2016, n. 136 defines ‘cross-border undeclared work’<sup>6</sup> involving ‘letter box companies’.<sup>7</sup>

Italy has also introduced a hybrid legal category which is intended to provide dependent self-employed workers with legal rights that would not exist under the legal status of self-employment. A para-subordinated relationship is regulated by Article 2 of Legislative Decree 81 of the 2015 Jobs Act. This Act was revised in 2016, extending particular employment rights to certain vulnerable para-subordinate workers. Under this category of a hybrid employment relationship, these workers’ legal protection includes: (a) access to labour courts; (b) collective bargaining; (c) coverage for occupational safety and health regulations; (d) entitlements for unfair termination; (e) limited social security rights and limited maternity and sickness protection; (f) protection against unfair dismissal; (g) maximum working hours and paid holidays.

## 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>8</sup>.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates<sup>9</sup> indicates that, in 2019, 12.6 % of total labour input in the private sector in Italy was undeclared (12.9 % in 2013). The extent of undeclared work in Italy was higher in terms of total labour input than the EU-27 average (see Figure 1 below).

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<sup>6</sup> Decreto Legislativo 17 luglio 2016, n. 136. Consolidated version can be consulted at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:2016-07-17;136!vig=>, accessed 12 December 2022; 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>7</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.

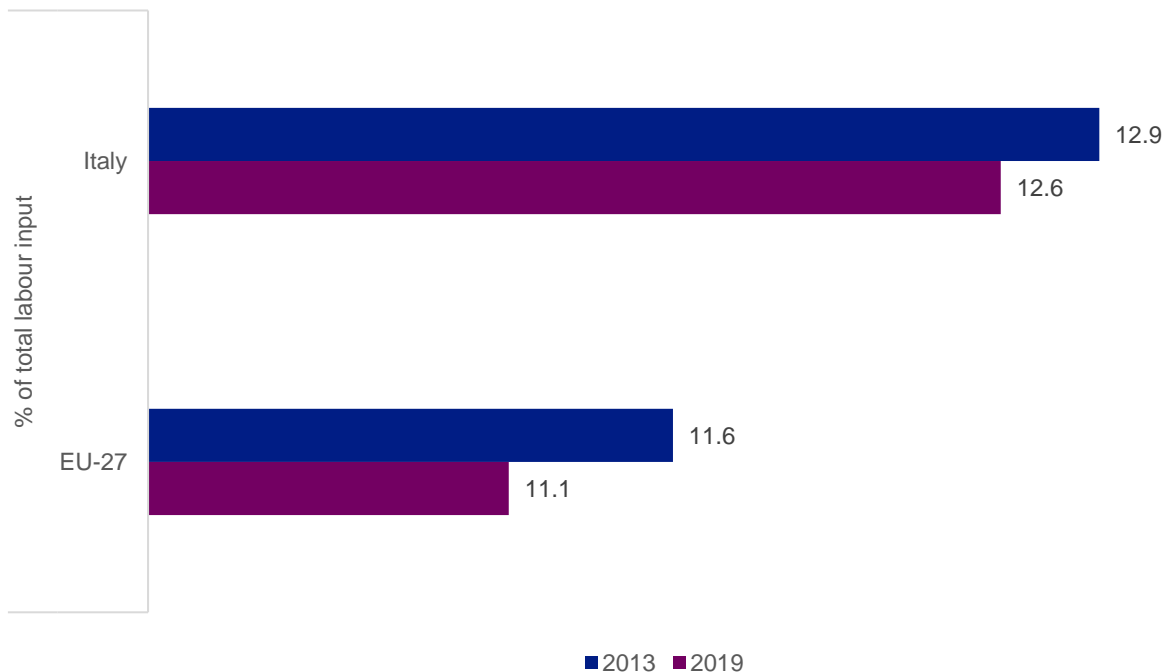
<sup>8</sup> Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, 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 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>9</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.

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



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

According to the 2019 Eurobarometer, 44 % of Italy's citizens stated that they personally knew someone who worked without declaring all or part of their income (the EU average is 33 %).<sup>10</sup> Moreover, 28 % of respondents stated that all their paid activity was undeclared; 33 % of respondents that some of their paid activity was undeclared, though part their formal job; and 21 % of respondents that some of their paid activity, carried out on their own initiative, was undeclared.<sup>11</sup>

The 2022 report of the National Institute of Statistics (*Istituto Nazionale di Statistica*, ISTAT), estimates that the scale of undeclared work in Italy amounts to 2 926 000 full-time equivalent jobs (*unità di lavoro a tempo pieno*, ULA). This indicates a decline of 660 000 ULA compared to the previous year. The component of undeclared wage employment work fell by 16.6 % (-429 700 units) and that of work by those in self-employment by 22.9 % (-229 800 units). This estimate comprises (a) undeclared work and under-declared time or remuneration of declared workers, (b) under-declarations of self-employed persons, (c) undeclared work in a second or third job, and (d) occasional services carried out by retired persons or students.

According to the same 2022 ISTAT report, Italy's informal economy is worth a total of EUR 203 billion (equivalent to 11.3 % of GDP), of which EUR 76.8 billion is related to undeclared work.<sup>12</sup>

<sup>10</sup> Special Eurobarometer 498, op.cit., p. 35.

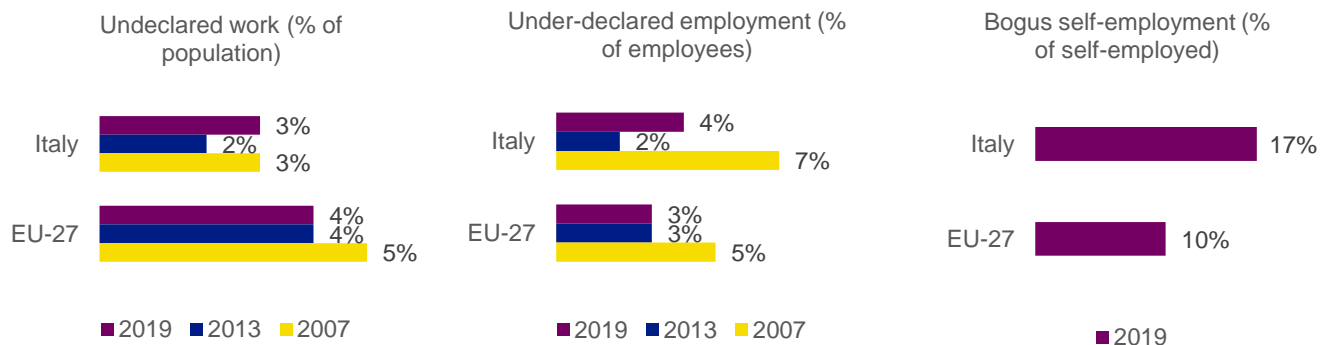
<sup>11</sup> Ibid. QD22., p. T39.

<sup>12</sup> Ispettorato Nazionale del Lavoro. Comunicato Stampa: Portale Nazionale del Sommerso. <https://www.ispettorato.gov.it/2022/05/02/comunicato-stampa-portale-nazionale-del-sommerso/>, accessed 25 May 2023. Istituto Nazionale di Statistica, ISTAT. Misurare l'economia che non si vede. <https://www.istat.it/it/archivio/263030>, accessed 10 December 2022.



The figures below indicate the current state and development of undeclared and under-declared work and bogus self-employment between 2007 and 2019 for Italy, based on Eurobarometer surveys. It should be noted that this is not a measure of the size of the undeclared economy. It only measures the proportion of the population who have engaged in undeclared work in the past 12 months. In some Member States, undeclared work may be more characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships<sup>13</sup>.

**Figure 2. Composition of undeclared work, Italy 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.

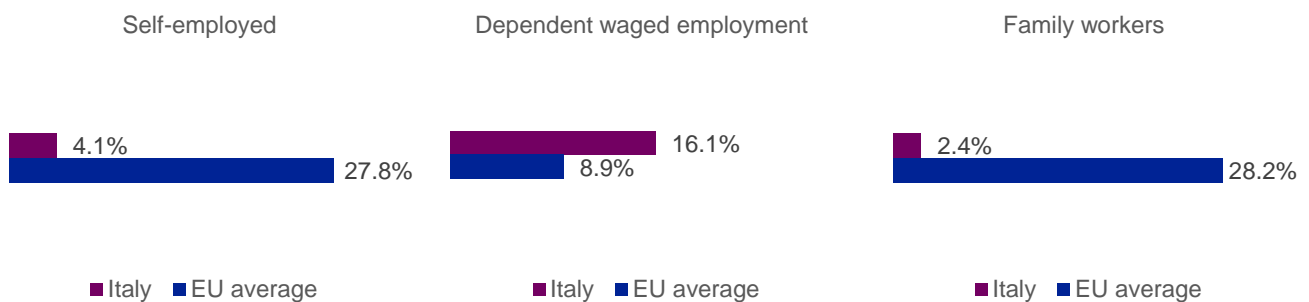
There are also marked differences in the prevalence of undeclared work in different types of employment relationship. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationship, namely self-employment, dependent waged employment, and family work. Analysis of the 2019 Labour Input Method (LIM) estimates<sup>14</sup> shows that, in Italy, 16.1 % of waged employment was undeclared measured as a share of total labour input, while the proportion of self-employment that was undeclared is 4.1 % (measured as a share of their total labour input) and the proportion of family work that was undeclared is 2.4 %<sup>15</sup>.

<sup>13</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>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> This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

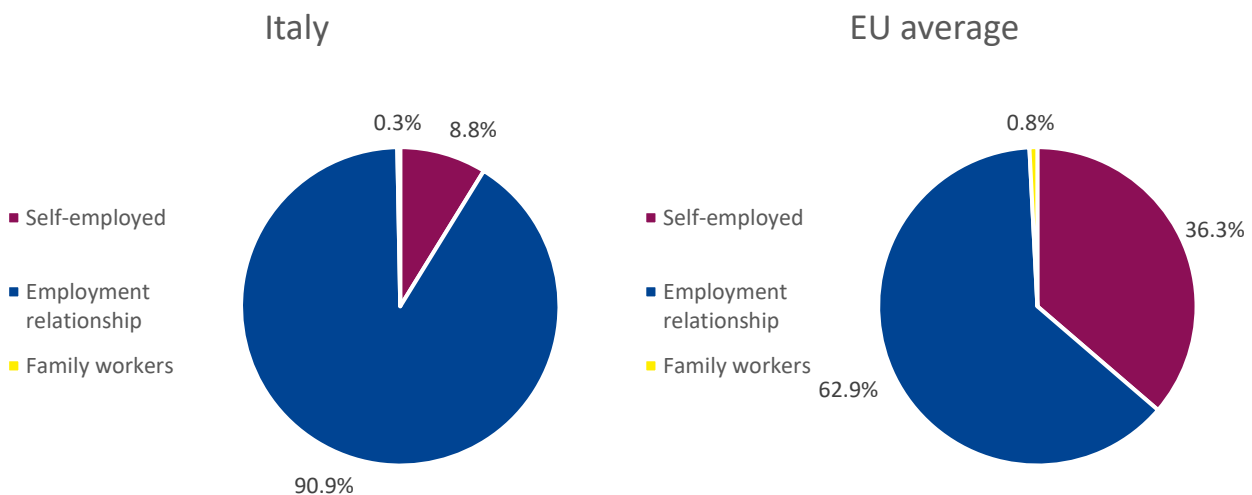
**Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Italy, EU-27 average, 2019**



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 Italy in 2019 using the LIM estimates<sup>16</sup>, Figure 4 shows that 90.9 % of undeclared labour input is waged employment (compared with 62.9 % in the EU-27), 8.8 % of undeclared labour input is self-employment (36.3 % in the EU-27), and 0.3 % of undeclared labour input is family work (0.8 % in the EU-27).

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

According to Special Eurobarometer no. 498 (2019), undeclared employment varies by sector, amounting to 3 % in transport, 4 % in agriculture, 20 % in construction, 14 % in hospitality (hotels/ restaurants/ tourism), 10 % in industry and manufacturing, 10 % in retail or repair services (e.g. electronics, car), 3 % in administration, 11 % in education, health and social work, 18 % in other sectors, and 20 % in personal and household services (PHS) (childcare/ care of the elderly/ cleaning).<sup>17</sup>

<sup>16</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022).

<sup>17</sup> Special Eurobarometer 498 – September 2019. *Undeclared Work in the European Union*. Report. QD17, p. T32.





As regards under-declared work, despite PHS workers being covered by a minimum wage, the proportion of domestic workers who receive income that falls below the minimum wage is four times higher than it is among other employees.<sup>18</sup>

Respondents also admit to having carried out specific undeclared activities, specifically: babysitting (8 %), assistance for a dependant or elderly person (20 %), cleaning or ironing (15 %), repairs or renovations (14 %), gardening (12 %), working as a waiter or waitress (22 %), tutoring (3 %), passenger transport (3 %), helping with a house move (3 %), administrative and clerical tasks or IT assistance (8 %), professional services (e.g. accounting, consulting, project management) (3 %), writing or translation services (8 %), creative, multimedia and software services (e.g. design, marketing support, web or software development) (10 %), selling food (e.g. farm produce) (2 %), or selling other goods or services (3 %).<sup>19</sup> Moreover, 15 % of respondents stated that some of these undeclared activities were carried out in the collaborative economy.<sup>20</sup>

As for the main drivers of undeclared work, according to Eurobarometer (2019),<sup>21</sup> respondents point to the social perception that undeclared work is a common practice – whether in a given region or sector of activity (20 %), or among friends, neighbours or relatives (25 %) – as well as the impossibility of finding a regular job (25 %) or not having other means of income (16 %) as being of key significance. Other respondents considered that, as the State does nothing for them, they should not pay taxes (16 %), cited benefit to both parties as most important consideration (19 %), or viewed taxes and social security contributions as unaffordable (16 %).<sup>22</sup> Actually, the level of horizontal trust has worsened over time, and the level was lower in 2019 than in 2007.<sup>23</sup> However, engaging in undeclared work became less acceptable between 2007 and 2019.<sup>24</sup>

Having recourse to undeclared work by businesses and households is a structural feature of the Italian labour market. The pandemic crisis had considerable effects on the use of undeclared work in 2020, and, for the first time since the beginning of the National Institute of Statistics series (1995),<sup>25</sup> it was less than 3 million full-time equivalent jobs (*unità di lavoro a tempo pieno*, ULA).<sup>26</sup> In 2020, in fact, there were almost 3 million full-time work units (ULA) in non-regular conditions, mainly employed as employees (about 2 153 000 units). Undeclared employment therefore saw a decrease of 18.4 % compared to 2019, recording a decline almost double that of regular employment (-9.9 %).<sup>27</sup>

The combined effect of an asymmetric crisis caused by the Covid-19 pandemic and policy intervention has also produced changes in the sectoral and dimensional characteristics of the undeclared economy. Indeed, between 2019 and 2020 there was a 25 % reduction in the added value generated by undeclared self-employed workers (with a greater impact on very small companies) and a decrease of more than 15 % in undeclared waged employment in companies with fewer than five employees.<sup>28</sup> The rate of undeclared work, calculated as the percentage incidence of irregular ULAs (full-time work units) with respect to the total, showed a sharp decline in

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<sup>18</sup> ILO (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)*. International Labour Office. Geneva, p. 157.

<sup>19</sup> Ibid. QD18, p. T33-T34.

<sup>20</sup> Ibid. QD19, p. T35.

<sup>21</sup> Special Eurobarometer 498, op.cit., QD21, p. T37.

<sup>22</sup> Ibid., Q21, p. T38.

<sup>23</sup> Williams, C. and Horodnic, I. (2020). *Trends in the undeclared economy and policy approaches*. Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform Tackling Undeclared Work, p. 41.

<sup>24</sup> *Trends in the undeclared economy and policy approaches*, op.cit., p. 40.

<sup>25</sup> The National Institute of Statistics (Istituto Nazionale di Statistica, ISTAT) statistical studies started in 1995.

<sup>26</sup> ISTAT. *L'economia non osservata nei conti nazionali. Anni 2017-2020. La crisi del 2020 colpisce anche l'economia non osservata: crolla del 14,1% e l'incidenza scende al 10,5% del Pil*. <https://www.istat.it/it/files/2019/10/Non-observed-economy-in-national-accounts-2017-EN.pdf>, accessed 11 December 2022.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.



2020, reaching 13.6 % and shrinking 1.2 % compared to 2019, which is a particularly accentuated change for a structural phenomenon that is generally characterized by very stable dynamics.<sup>29</sup>

In general, the incidence of undeclared work in 2020 was most significant in the service sector (14.5 %) and reached particularly high levels in personal and household services (PHS) (43.4 %), where the demand for irregular work by households is concentrated. Undeclared workers were particularly present in agriculture (18.4 %), construction (13.5 %), and commerce, transport, accommodation and catering (15.3 %).<sup>30</sup>

The decrease in the proportion of undeclared work is due to the joint effect of the downward pressure of unemployment and regular labour input, driven in both cases by the component representing those in regular employment, which generated about two-thirds of the overall decrease (-429 700 ULA undeclared employees and -1 226 900 declared ULA). In 2020, it was also confirmed that the rate of undeclared work was higher among employees than the self-employed, 13.9 % and 13.0 % respectively. In terms of dynamics, the sharpest decline was registered among the self-employed, where the rate dropped by 1.4 %; in particular, in 2021 there was a 22.9 % reduction in irregular independent/self-employed work units and a decrease of 13.4 % of the declared work ULA, while for employees the incidence of irregular work decreased by 1.2 %.<sup>31</sup>

Demand for cheap, flexible labour in agriculture has been particularly high in Italy, where agriculture is an important part of the economy. The rapid rise in the influx of refugees has led to their engagement in agriculture, most often involving young and usually male workers from sub-Saharan and North Africa in undeclared work and/or exploitative conditions. A peculiar phenomenon is the illegal recruitment of agricultural workers for very low wages – ‘*caporalato*’ – where an intermediary, often linked to criminal organisations, illegally provides jobs to these workers, who are mostly irregular migrants, and takes a percentage of their earnings. This is an extreme form of undeclared labour, where migrants work for 10 to 12 hours a day, are exposed to toxic pesticides, and endure extreme summer and winter weather conditions for pay that is considerably below the legal minimum wage. Third-country nationals are also exposed to degrading and unsanitary living conditions in isolated outbuildings on farms, in unheated tents or urban slums, many miles from the fields where they work.<sup>32</sup>

The scale of undeclared and illegal work carried out by third-country nationals in the agricultural sector in Italy is difficult to establish. Estimates by *Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria* (CREA, 2020) suggest that a high share of labour input in the sector is not regular: in 2017 the irregularity rate in agriculture was 18.4 % (FTE equivalent), compared to 15.5 % recorded in the economy as a whole. The share of non-Italian workers in the Italian agriculture has continued to rise, reaching close to a fifth of the almost 900 000 people employed in 2018 (CREA, 2020). CREA (2020) further notes that migrant workers are mostly employed in lower-skilled and low-paying positions, with a consequent high incidence of relative poverty – 38.2 % among those born abroad as against 18.5 % of those born in Italy.

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<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Van Nierop, P., Schöenberg, L., Petar Terziev, P., with contributions from Besic, A., Jakubowska, K., Rose, N., Stefanov, R., Mineva, D. *Counteracting undeclared work and labour exploitation of third-country national workers*. European Platform tackling undeclared work, 2021, p. 39.



## 2.0 Institutional framework

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

Table 1. Overview of key institutional features in Italy 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

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.<sup>33</sup>; *Rapporti annuali delle attività di tutela e vigilanza in materia di lavoro 2020 e 2021*. Available at <https://www.ispettorato.gov.it/attivita-studi-e-statistiche/monitoraggio-e-report/rapporti-annuali-sullattivita-di-vigilanza-in-materia-di-lavoro-e-previdenziale/>, accessed 25 May 2023.

Within the Italian Ministry of Labour and Social Policies<sup>34</sup> there are two Directorates responsible for preventing and combating undeclared work:<sup>35</sup>

- ▶ **The Directorate General (DG) of Labour and Industrial Relations<sup>36</sup>.**
- ▶ **The Directorate General (DG) of Migration and Integration Policies<sup>37</sup>**

Both DGs are responsible for designing and implementing policies and legislation and for awareness raising activities. Surveillance and inspections on undeclared and under-declared work are carried out by the National Labour Inspectorate (INL) through its territorial Labour Inspectorates.<sup>38</sup>

Other authorities responsible for tackling undeclared work are the following:

- ▶ **The National Institute for Social Security (*Istituto Nazionale della Previdenza Sociale*, INPS)<sup>39</sup>** is responsible for the collection of social security contributions and for the investigation of infringements, including undeclared and under-declared social security contributions, all in cooperation with the National Labour Inspectorate (NLI),

<sup>33</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>34</sup> Ministry of Labour and Social Policies: [www.lavoro.gov.it](http://www.lavoro.gov.it), accessed 10 December 2022. Website with information for citizens and companies: [www.cliclavoro.gov.it](http://www.cliclavoro.gov.it), accessed 10 December 2022.

<sup>35</sup> *Overview on responsibilities, inspection competences and legal frameworks in Member States*. Cooperation Support Unit (March 2022) 2021. Unpublished.

<sup>36</sup> See; [DGRapportiLavoro@lavoro.gov.it](mailto:DGRapportiLavoro@lavoro.gov.it)

<sup>37</sup> See; [DGIimmigrazione@lavoro.gov.it](mailto:DGIimmigrazione@lavoro.gov.it)

<sup>38</sup> See <https://www.ispettorato.gov.it>.

<sup>39</sup> [www.inps.it](http://www.inps.it)



which since 2017 has been coordinating the inspection staff of INPS (and INAIL – National Institute for Insurance against Accidents at Work).

- ▶ **The police forces**<sup>40</sup> (*Carabinieri*), jointly with the National Labour Inspectorate, are in charge of investigating the undeclared work of migrant workers and situations where workers are employed in exploitative working conditions. There are Special Units for labour protection within the National Inspectorate at central level and in the interregional offices of Rome, Milan, Venice and Naples, and in each of the 74 Territorial Labour Inspectorates. In total, about 480 *carabinieri* are employed in these Units and deal with labour related activities.<sup>41</sup>

In addition to these government institutions, social partner organisations are also involved in tackling undeclared work. In Italy, the employers’ association *Associazione Nazionale Famiglie Datori de Lavoro Domestico* (DOMINA) helps PHS employers to fulfil their legal obligations through advisory services on regularising and formalising their employment relationships.<sup>42</sup> In this sector, for instance, the social partners concluded a bipartite agreement to create a body, the CASSACOLF,<sup>43</sup> which has a fund to support a voluntary welfare system that supplements public welfare.<sup>44</sup>

The Italian social partners’ key approaches are shown below.

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

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviour 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

<sup>40</sup> Arma dei Carabinieri, <https://www.carabinieri.it/>, accessed 10 December 2022.

<sup>41</sup> *Rapporto annuale delle attività di tutela e vigilanza in materia di lavoro 2022*. Available at <https://www.ispettorato.gov.it/attivita-studi-e-statistiche/monitoraggio-e-report/rapporti-annuali-sullattivita-di-vigilanza-in-materia-di-lavoro-e-previdenziale/> accessed 12 May 2023.

<sup>42</sup> ILO (2021). *Making decent work a reality for domestic workers*, op.cit., p. 209.

<sup>43</sup> See <https://www.cassacolf.it/>

<sup>44</sup> ILO (2021). *Making decent work a reality for domestic workers*, op.cit., p. 228.



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
Conducting 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.

## 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
National Labour Inspectorate	Legislative Decree 124/2004; <sup>45</sup> Legislative Decree 81/2008. <sup>46</sup> Legislative Decree 149/2015 <sup>47</sup>
Ministry of Labour and Social Policies	Decree of the President of the Republic 520/1955. <sup>48</sup>

<sup>45</sup> Decreto Legislativo 23 aprile 2004, n. 124. Consolidated version can be consulted at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:2004-04-23:124>, accessed 11 December 2022.

<sup>46</sup> Decreto Legislativo 9 Aprile 2008, n. 81. Consolidated version can be consulted at: <https://www.normattiva.it>, Accessed 12 December 2022.

<sup>47</sup> Decreto Legislativo 14 settembre 2015, n. 149. Consolidated version can be consulted at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:2015-09-14:149> accessed May 2023

<sup>48</sup> Decreto del Presidente della Repubblica, 19 marzo 1955, n. 520. Consolidated version can be consulted at: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.del.presidente.della.repubblica:1955-03-19:520!vig>, Accessed 11 December 2022.



National Institute for Social Security

Decree of the President of the Republic 366/1997.<sup>49</sup>

Sources: 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 Italy

In 2017, Italy carried out a comprehensive institutional reform. The reform of the Italian National Inspectorate for Labour Inspections (NIL) brings together the inspection body of the three relevant stakeholders involved in labour inspection that previously worked in parallel: the Ministry of Labour and Social Policies, the National Institute of Social Security (INPS), and the National Institute for the Insurance against Accidents at Work (INAIL). The objective of the reform is to improve coordination of activities, make better use of resources, and simplify procedures in order to enhance compliance with the system.<sup>50</sup>

Equally significant is the new Commission to tackle the ‘*caporalato*’ system and labour exploitation in agriculture, which has been chaired since 2019 by the Minister of Labour, in cooperation with other Ministries (Interior, Justice, Agriculture and Transport), regions, municipalities, the National Labour Inspectorate and the National Institute of Social Security. This includes joint action against labour exploitation, inspections supported by qualified IOM (International Organisation for Migration) cultural mediators<sup>51</sup>, working side by side with NGOs and social partners. Trade unions provide insights from workplaces, while employer associations provide information on the complex supply chain in agriculture. The aim of this cooperation is to set up management and information systems, strengthening the implementation and monitoring capacity of national and local institutions. It then seeks to set up a national referral system for the identification, assistance, protection and socioeconomic inclusion of victims through offering decent work opportunities, as well as transparent recruitment in agriculture.<sup>52</sup> Besides, the ‘control room’ (*cabina di regia*) of the ‘Quality Agricultural Work Network’ (*Rete del Lavoro Agricolo di Qualità*)<sup>53</sup>, run by the Labour Inspectorate, the National Institute of Social Security and social partners, focuses on transparent hiring of workers, as well as arranging decent transport and accommodation via a database. This includes a list of companies registered with the National Institute of Social Security who comply with labour, social security, income and value added tax (VAT) legislation. The network also monitors businesses not included on the list and provides a guide for customers on how to choose their supplier.<sup>54</sup>

More broadly, the National Institute for Social Security (*Istituto Nazionale della Previdenza Sociale*, INPS)<sup>55</sup> cooperates with the National Labour Inspectorate in ascertaining the infringements during surveillance activities. In addition, the police forces,<sup>56</sup> jointly with the National Labour Inspectorate, are in charge of investigating undeclared work of migrant workers and situations where workers are employed under exploitative working conditions.

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<sup>49</sup> Decreto del Presidente della Repubblica 24 settembre 1997, n. 366. Consolidated version can be consulted at: <https://www.normattiva.it>, accessed 11 December 2022.

<sup>50</sup> Reform of the Italian labour inspections system (2017), <https://www.ela.europa.eu/en/undeclared-work/virtual-library>, accessed 11 December 2022.

<sup>51</sup> MoU INL-IOM 2021, [https://www.ispettorato.gov.it/dettaglio\\_convenzione\\_protocollo/protocollo-quadro-di-collaborazione-tra-inl-e-iom/](https://www.ispettorato.gov.it/dettaglio_convenzione_protocollo/protocollo-quadro-di-collaborazione-tra-inl-e-iom/) accessed May 2023, currently being renewed;

<sup>52</sup> Counteracting undeclared work and labour exploitation of third-country national workers, op.cit., p. 47.

<sup>53</sup> *Rete del Lavoro Agricolo di Qualità*. <https://www.inps.it/prestazioni-servizi/la-rete-del-lavoro-agricolo-di-qualita>, accessed 15 December 2022.

<sup>54</sup> Ibid., p. 52.

<sup>55</sup> [www.inps.it](http://www.inps.it)

<sup>56</sup> Arma dei Carabinieri, <https://www.carabinieri.it/>, accessed 10 December 2022.



In order to plan inspection activity effectively, from 2023, a single national database managed by the National Labour Inspectorate called *Portale nazionale del sommerso* (PNS) will collect the results of the supervisory activities of all the authorities responsible for tackling undeclared work.<sup>57</sup> These authorities include the National Labour Inspectorate (INPS) itself, the INAIL (*Istituto nazionale per l'Assicurazione contro gli Infortuni sul Lavoro*), the *Carabinieri* (*Arma dei Carabinieri*) and the *Guardia di Finanza*. The PNS replaces and integrates the existing databases currently used by the National Labour Inspectorate, the INPS and INAIL to share the results of their respective inspections. The PNS will contain inspection reports, as well as documents relating to any subsequent proceedings that result. Such a comprehensive collection of data will allow the authorities to create a registry of infractions, which is particularly useful for mapping the undeclared labour market. Funding assigned to the implementation of the PNS amounts to EUR 5 million in 2022 and to EUR 800 000 per year from 2023 onwards.<sup>58</sup>

### 2.2.3 Cooperation with other Member States

At the international level, cooperation agreements have been set up to strengthen cooperation with France, Romania and Spain. 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 Italy, but only as observers. Evidence gathered during an inspection conducted in another Member State can be used in an Italian court and in administrative proceedings, particularly if such evidence was provided through the Internal Market Information System (IMI) on the posting of workers. However, evidence gathered by public officials (such as Italian inspectors) has a greater value in court.<sup>59</sup>

In October 2020, Italy and France signed a Cooperation Agreement on the transnational posting of workers and prevention of undeclared work (UW), replacing the previous Agreement signed in 2011. France is the Member State that receives the second highest number of posted workers in the European Union (EU). In 2019 and 2020, France was the destination of the largest flows of workers posted from Italy, accounting for 26 % of workers posted.<sup>60</sup> The Cooperation Agreement was also introduced partially in response to delays in the IMI system. These difficulties become exacerbated when they are related to postings through letterbox companies, which need prompt intervention and cross-border cooperation.<sup>61</sup> Annual reports by the Italian National Labour Inspectorate in 2020 highlighted cases of bogus posting in Northern Italy and in the manufacturing and construction sectors.<sup>62</sup> There is also qualitative evidence of the use of LBCs involving unsafe work, undeclared or under-declared social security contributions and non-compliance with minimum rates of pay.<sup>63</sup> The Agreement reinforces bilateral relations between the Italian and the French Labour Inspectorates and creates a framework for carrying out joint activities:

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<sup>57</sup> Article 19 (1). Decreto-Legge 30 aprile 2022, n. 36. Ulteriori misure urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR).10/05/22.

<sup>58</sup> Ibid., Article 19 (2).

<sup>59</sup> European Labour Authority, *Guidelines for concerted and joint inspections*, December 2020, ELA/MB/2020/057, p. 43 et seq.

<sup>60</sup> De Wispelaere, F., & Pacolet, J. (2021). *Posting of workers. Report on A1 Portable Documents issued in 2020*. European Commission, Brussels. Annex 1 Additional tables. Table A2, p.53. De Wispelaere, F., & Pacolet, J. (2020). *Posting of workers. Report on A1 Portable Documents issued in 2019*. European Commission, Brussels. 1 Additional tables. Table A1.2, p. 47.

<sup>61</sup> Cillo, R. and Fabio Perocco, F. European Centre for Social Welfare Policy and Research Policy Brief 2021/21. *Italian authorities' challenges in the monitoring of the posting of workers*. <https://www.euro.centre.org/publications/detail/4235>, Accessed 10 December 2022.

<sup>62</sup> *Rapporto annuale delle attività di tutela e vigilanza in materia di lavoro. Anno 2020*, p.31. <https://www.ispettorato.gov.it/attivita-studi-e-statistiche/monitoraggio-e-report/rapporti-annuali-sullattivita-di-vigilanza-in-materia-di-lavoro-e-previdenziale/>, accessed 25 May 2023.

<sup>63</sup> ISA Project - Information Sharing Agreements Project. *Country briefing paper - Italy. Posting of Workers and Italy*. <https://www.isaproject.eu/results/>, Accessed 10 December 2022.



- ▶ exchanging data and documentation on legislation, statistics, national control procedures, and operational control methods;
- ▶ preparing methodological materials targeting labour inspectorates and their institutional partners, with the purpose of facilitating mutual understanding between their respective operational frameworks and keeping each other apprised of the legal developments in each country;
- ▶ exchanging information on the results of labour inspection activity affecting Italian or French companies, particularly when the companies have establishments in both countries;
- ▶ improving the monitoring procedures of the Internal Market Information System (IMI), with the aim of processing information requests in a faster and more efficient manner;
- ▶ organising briefings and the exchange of information materials regarding French and Italian legislation, aimed at employees and employers, employers' organizations, and trade unions, in the field of posted workers and undeclared work;
- ▶ organising the participation of control agents from the French Labour Inspectorates and of inspectors and deputy inspectors from the Italian National Labour Inspectorate, as observers, in coordinated monitoring in France or in Italy to verify issues including: (a) the working conditions of posted workers; (b) the location of Italian or French posting companies' and user companies' headquarters and/or production units; (c) the regions where such companies exercise effective economic activity, pursuant to articles 4, 6, and 7 of Directive 2014/67/EU;
- ▶ creating a yearly programme of activities between the parties.

As regards cooperation with Romania, the signing of the 2022 Agreement<sup>64</sup> is a key example of long-term cooperation born as a direct consequence of the project 'Empower – Exchange of Experiences and Implementation of Actions for Posted Workers' carried out by the Guglielmo Tagliacarne Institute in Italy, the Ministry of Labour and Social Policies of Italy, and the Labour Inspectorate from Romania.<sup>65</sup>

Finally, in July 2022, a Declaration of Intent<sup>66</sup> was signed by the Italian and Spanish Labour Ministries to initiate a fruitful collaboration - in terms of joint inspections, exchange of information and best practices, forms of investigative and operational cooperation in labour surveillance - between the two labour inspectorates.

In the construction sector, the Italian Commission for Accident Prevention (CNCE) plays a strategic role in tackling cross-border social fraud and abuses. In the last decade, the CNCE has signed various transnational bilateral mutual recognition agreements with its counterparts in Germany, Austria, France and the Republic of San Marino<sup>67</sup>. At European level, the [project 'Tackling undeclared work in the construction industry'](#), led by European social partners in the construction industry (EFBWW-FIEC) in collaboration with social partners from Belgium, France, Austria, Italy, Romania, Bulgaria and Spain, was aimed to devise a European campaign on prevention/awareness of undeclared work in the construction industry and to foster national initiatives that address the structural

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<sup>64</sup> <https://www.lavoro.gov.it/notizie/Pagine/Firmato-a-Bucarest-un-Memorandum-intesa-in-merito-ispettiva.aspx>, accessed May 2023

<sup>65</sup> Empower Project. [ITM - Teleorman \(inspectiamuncii.ro\)](#), accessed 10 December 2022. Other similar projects were implemented by the same partnership such as TRANSPO (Road Transport Sector and Posting of Workers), ENFOSTER (ENFORceMENT STakeholders CoopERation - Posting of workers: enhancing administrative cooperation and access to information) and ENACTING (Enabling cooperation and mutual learning for fair posting of workers).

<sup>66</sup> <https://www.lavoro.gov.it/stampa-e-media/Comunicati/Pagine/Orlando-e-Diaz-firmano-dichiarazione-intenti-su-ispezioni-lavoro.aspx>

<sup>67</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.





conditions that lead to undeclared work in this sector.<sup>68</sup> 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>69</sup>

As for awareness-raising, the 'Back in the Field' campaign by the Federation of Farming Industry Workers General Italian Labour Confederation (FLAI CGIL) also aims to meet workers at their workplace to inform them of their rights. The campaign is particularly directed against the '*caporalato*' recruitment system in agriculture. In 2019, the joint European project 'RAISE UP' continued the campaign in Italy, involving other trade unions, employer organisations and institutions from Bulgaria, North Macedonia, Romania and Serbia in order to develop responsive measures in the countries of origin.<sup>70</sup>

Finally, the Italian Confederation of Trade Unions (CISL) has established systems for handling complaints (particularly from migrant workers) and/or for monitoring abusive behaviour of employers in high-risk sectors.<sup>71</sup>

## 3.0 Policy focus and measures

### 3.1 Policy approach

In contrast to other EU Members, where there are no official data to evaluate the real scale of undeclared work, Italian authorities have been producing exhaustive statistical data on undeclared work since the 1990s to effectively tackle the problem. What became known in the literature as the 'Italian approach' is based on the statistical integration of estimates derived from business and administrative sources (covering regular jobs) and from household surveys and census data (covering regular and undeclared employment), with the objective of ensuring exhaustiveness within the production boundary defined by the system of national accounts. The Italian labour force survey is a continuous survey with a yearly sample of more than 600 000 interviews representative of individuals in the resident population: it provides monthly and quarterly figures for the main aggregates, and yearly figures for undeclared work.<sup>72</sup>

Such exhaustiveness in investigating the phenomenon reveals a long-standing commitment to the fight against undeclared work. The availability of detailed information about the characteristics of undeclared work has also allowed Italian authorities to develop a wide-ranging policy approach to tackling undeclared work, which includes both deterrents (sanctions and enforcement procedures) and incentives to transform undeclared work into regular employment.

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<sup>68</sup> Stefanov, R., Mineva, D., Terziev, P. Vitosha Research EOOD (Center for the Study of Democracy Group) in collaboration with ICF. Cross-border actions tackling undeclared work, 2019. *Cross-border actions tackling undeclared work*. European Platform Tackling Undeclared Work, p. 32.

<sup>69</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>70</sup> *Counteracting undeclared work and labour exploitation of third-country national workers*, op.cit., p. 54.

<sup>71</sup> *Guidelines for concerted and joint inspections*, op.cit., p. 25.

<sup>72</sup> The sampling design is rather complex, with two stages (municipalities are PSUs, households are FSUs), stratification of PSUs and rotation of FSUs; PSUs are selected within each NUTS3 domain (NUTS3 is the classification level of the territorial units– the last version is from 2014 – corresponds to the more than one hundred 'provinces' in which Italy is actually split). PSUs are stratified according to their demographic size. Large municipalities are always included in the sample; the others are selected within each stratum based on a probability proportional to the size of the resident population. The sample is uniformly spread across all the weeks of the reference year: all territorial domains are represented in each month and in each of the four waves of the panel. De Gregorio C., Giordano, A. (2016), 'The heterogeneity of undeclared work in Italy: some results from the statistical integration of survey and administrative sources', *Rivista di Statistica Ufficiale* no. 2/2016. <https://www.istat.it/it/files/2018/09/Articolo-5.pdf>, Accessed 11 December 2022.



Regarding deterrence, three main tools are in place: administrative sanctions, that can lead to the suspension of the business's activity and to economic/monetary sanctions (*maxi-sanction*)<sup>73</sup>; civil sanctions, due in cases of failure to pay, incorrect payments or evasion of social security contributions; and criminal sanctions; there are also promotion and prevention activities carried out by territorial labour inspectorates on undeclared work.<sup>74</sup> In order to combat the phenomenon of the '*caporalato*', a new offence has been introduced by Law 199/2016, that applies to the field of agriculture and punishes both the intermediary and the employer who exploit workers in a position of weakness and in need.

As for enabling compliance, curative approaches have been implemented or are in place, such as amnesties and measures aimed at promoting the regularisation of undeclared work. Another strategic prevention tool has been put in place by the National Labour Inspectorate (INL), with the aim of promoting the culture of legality by programming and implementing specific prevention and promotion actions (by Article 8 of Legislative Decree 124/2004), through disseminating information and organising update meetings on the main innovations in work practices, social legislation and workplace safety, addressed to employers and workers, trade union organisations and other professional organizations<sup>75</sup>. Since 2004, these activities have been carried out in every region of Italy. In particular, Italian Labour Inspectorates have piloted activities on capacity building and awareness raising at a local level to increase public understanding of the costs and risks associated with undeclared work. The inspectors engage with the participants in discussing and studying labour legislation in depth and the difficulties of enforcing it in relation to the black economy. In 2020, 447 awareness-raising activities took place reaching 11 409 participants, while in 2021 there were 525 awareness-raising activities reaching 33 282 participants. Subsequently, in 2022, the numbers grew further to 668 events and 49 821 people involved. Participants included workers' representatives, association members, employers and their representatives, students and educators.<sup>76</sup>

## 3.2 Main policy measures

The 2022 holistic approaches study<sup>77</sup> indicates that four types of measures are commonly used in Italy to tackle undeclared work:

- ▶ penalty measures;
- ▶ initiatives to increase the risk of detection (e.g., inspections);
- ▶ incentives to make declaring work easier and more beneficial;
- ▶ education campaigns to raise awareness, 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.

The Commission Staff Working Document accompanying the 2020 EU Semester Recommendation on the 2022 National Reform Programme of Italy noted that Italy had made limited progress in following up on Recommendation No. 2 of the Council of the European Union from 2019, which had called for Italy to 'strengthen efforts to combat

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<sup>73</sup> In accordance with article 22 of the Legislative decree 151/2015.

<sup>74</sup> In accordance with article 8 of the Legislative decree 124/2004.

<sup>75</sup> Decreto Legislativo 23 aprile 2004, n. 124, op. cit. (Art. 8.1, *Prevenzione e promozione*).

<sup>76</sup> *Rapporti annuali delle attività di tutela e vigilanza in materia di lavoro 2020, 2021 e 2022, op.cit.*

<sup>77</sup> Williams, C. and Horodnic, I. (2022). *Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022*. European Platform Tackling Undeclared Work.



undeclared work'.<sup>78</sup> Policies to combat undeclared work were therefore included under Priority Area 3 of the 2022 Italian National Resilience Plan<sup>79</sup> and the 2022 Italian National Reform Programme (NRP).<sup>80</sup> In the NRP, the Government focuses on action to combat undeclared work, continuing the work carried out with the regional and territorial administrations to implement the three-year plan to combat labour exploitation in agriculture and illegal hiring (2020-2022).

Resolution no. 6-00124, approved on 29 July 2022 by the Chamber of Deputies, furthers the commitments undertaken by the Government in the NRP, implementing a reform of social safety nets, strengthening the programmes of income support to prevent people from resorting to undeclared work because they have no other means of gaining income. In particular, measures for income support have been adopted to help self-employed workers, freelance professionals and for particular categories of workers not included in the protection of ordinary wage supplements.

Other measures included in Resolution no. 6-00124 are aimed at promoting self-employment, in particular by encouraging associations of professionals and the creation of business networks capable of competing adequately at a global level. In operational and planning terms, the mission translates into giving particular attention to active policies for work and youth employment and female empowerment, in terms of training, employability, self-entrepreneurship. The Ministry of Labour aimed to implement a multi-agency approach already used for the national strategy against illegal hiring in agriculture ('Three-year plan to combat labour exploitation in agriculture and illegal hiring 2020-2022'). In addition to the technical secretariat of the Ministry, the directors general with competences on the matter (employment relations, immigration, active labour policies, occupational safety) and the National Labour Inspectorate responsible for the plan's implementation and monitoring are collaborating in drafting a national programme to tackle undeclared work, which includes action plans, institutional reforms and research projects. These initiatives include, in particular<sup>81</sup>:

- ▶ enhancing procedures for the collection and sharing of data on undeclared work, in order to improve the mapping of the phenomenon by all the competent authorities;
- ▶ adopting direct and indirect measures to improve the ease and benefits of participating in the declared economy;
- ▶ launching information campaigns aimed at employers and workers, with the active involvement of social partners, to raise awareness to foster commitment to declared work;
- ▶ creating the necessary structure of governance to ensure effective implementation of the action plans included in the PNR regarding undeclared work.

These initiatives are part of a more wide-ranging plan to strengthen the Labour Inspectorate. The National Plan to tackle undeclared work will be in place in Q4 2022<sup>82</sup> and it is expected to be fully implemented in 2024. The Plan will count with EUR 7.25 billion of financing. The first target is a 20 % increase on the average number of inspections that took place during the three-year period 2019-21 by the end of 2024. The second target is to reduce

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<sup>78</sup> Commission Staff Working Document 2022 Country Report - Italy. Accompanying the document: Recommendation for a Council Recommendation on the 2022 National Reform Programme of Italy and delivering a Council opinion on the Stability Programme of Italy. COM(2022) 616 final- SWD(2022) 640 final, p. 30.

<sup>79</sup> *Piano Nazionale di Ripresa e Resilienza. #Nextgenerationitalia*. <https://www.governo.it/sites/governo.it/files/PNRR.pdf>, Accessed 27 July 2022, p. 207.

<sup>80</sup> 2022 National Reform Programme, p. 25, 41, [https://commission.europa.eu/content/2022-european-semester-national-reform-programmes-and-stabilityconvergence-programmes\\_en](https://commission.europa.eu/content/2022-european-semester-national-reform-programmes-and-stabilityconvergence-programmes_en), accessed 11 December 2022.

<sup>81</sup> [National Action Plan to tackle labour exploitation, unlawful recruitment and forced labour in agriculture](#) (2022). Italy. Good practice fiche. European Platform tackling undeclared work.

<sup>82</sup> *Piano Nazionale di Ripresa e Resilienza. #Nextgenerationitalia*, op.cit.



the incidence of undeclared work in the economic sectors covered by the National Plan by at least 2 percentage points.

In agriculture, especially in the south of the country (but in recent years also in other sectors and regions) – the recruitment system of the so-called “*caporali*” and related labour exploitation is often encountered. Thus, in 2011 and again in 2016<sup>83</sup>, Italy introduced legal measures against ‘*caporalato*’, with ‘illicit brokerage and exploitation of work’ introduced into the Criminal Code (Law 138/2011).<sup>84</sup> Inspectorates also have the power to prosecute, and in Italy labour exploitation under the ‘*caporalato*’ recruitment system is a specific criminal offence, so that labour inspectors act as ‘Judicial Police Officials’ on behalf of the public prosecutor.<sup>85</sup>

The Annual Report of the Italian National Labour Inspectorate for 2019 (Italian National Labour Inspectorate, 2020) noted that, of the 5 806 inspections carried out in area of Italian agriculture during that year, 59.3% found irregularities, more than 4 percentage points higher than in 2018 (54.8 %). Of the 5 340 workers who were the subjects of the violations discovered, 2 719 (51 %) were working undeclared or completely unregistered. Out of these, 229 were non-EU citizens without a residence permit.<sup>86</sup>

The Annual Report of the Italian National Labour Inspectorate for 2020 (Italian National Labour Inspectorate, 2021) noted that, of the 4 269 inspections carried out in area of Italian agriculture during that year, 58 % found irregularities. Of the 4 590 workers who were the subjects of the violations discovered, 2003 (44 %) were working undeclared or completely unregistered. Out of these, 139 were non-EU citizens without a residence permit.

The Annual Report of the Italian National Labour Inspectorate for 2021 (Italian National Labour Inspectorate, 2022) noted that, of the 5 808 inspections carried out in area of Italian agriculture during that year, 54,3 % found irregularities. Of the 6 804 workers who were the subjects of the violations discovered, 2 601 (38 %) were working undeclared or completely unregistered. Out of these, 173 were non-EU citizens without a residence permit.

The Annual Report of the Italian National Labour Inspectorate for 2022 (Italian National Labour Inspectorate, 2023) noted that, of the 4 586 inspections carried out in area of Italian agriculture during that year, 56.3 % found irregularities. Of the 7 174 workers who were the subjects of the violations discovered, 2195 (31 %) were working undeclared or completely unregistered. Out of these, 290 were non-EU citizens without a residence permit.

The law sets out penalties ranging from five to eight years’ imprisonment (twelve in aggravating circumstances) for the *caporali*, and fines from EUR 1 000 to 2 000 for each worker involved. Law 199/2016 on countering undeclared work and labour exploitation in agriculture subsequently extended the scope of measures, particularly in instances of labour exploitation. In addition, in February 2020, an Action Plan Against *Caporalato* was adopted,<sup>87</sup> developing a national strategy to combat labour exploitation and “*caporalato*” in agriculture. However, the COVID-19-related lockdown measures then further increased the harvesting done by third-country nationals staying in the country irregularly, as this group of workforces was used to offset the EU workers who did not travel to Italy.<sup>88</sup>

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<sup>83</sup> “Article 603 bis of the Italian Criminal Code, amended by Law No. 199/2016, introduced two different offences: (i) unlawful recruitment, which refers to anyone who recruits workers on behalf of a third party in conditions of exploitation; and (ii) labour exploitation, which refers to anyone who uses, hires or employs workers, including through unlawful recruitment, for exploitation purposes. Both offences require the abuse of the state of need of workers” - Three-year Plan to tackle labour exploitation and unlawful recruitment in agriculture (2020 – 2022) - [https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-rome/documents/genericdocument/wcms\\_766362.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-rome/documents/genericdocument/wcms_766362.pdf)

<sup>84</sup> *Counteracting undeclared work and labour exploitation of third-country national workers*, op.cit., p. 39.

<sup>85</sup> *Different forms of cross-border undeclared work, including through third-country nationals*, op.cit., p. 61-62.

<sup>86</sup> *Counteracting undeclared work and labour exploitation of third-country national workers*, op.cit., p. 39.

<sup>87</sup> Piano triennale di contrasto allo sfruttamento lavorativo in agricoltura e al caporalato 2020 – 2022, <https://www.lavoro.gov.it/priorita/Documents/Piano-Triennale-contrasto-a-sfruttamento-lavorativo-in-agricoltura-e-al-caporalato-2020-2022.pdf>, accessed 11 December 2022.

<sup>88</sup> *Counteracting undeclared work and labour exploitation of third-country national workers*, op.cit., p. 40



Italy has also sought to regularise third-country nationals' work status or residence in recent years. Such approaches are based on voluntary disclosure and seek to facilitate third-country nationals' transition into declared work. Italy's 'Relaunch' bill aimed to reform the agricultural, domestic, and social care sectors to limit and tackle the engagement of nationals and third-country nationals in undeclared work. The same applies to Italian nationals with an undeclared job. A web site and helpline support the process. The reform allowed workers to regularise their status by submitting a request within a specified timeframe. This measure resulted in limited improvements in the area of undeclared work in the domestic work sector, with a reported increase of 7.5 % in the number of employment contracts in 2021.<sup>89</sup>

An innovative outreach practice is the use of 'cultural mediators' in Italy, which informs and advises third-country nationals about their rights by making use of people with a similar cultural background. This addresses linguistic barriers and cultural obstacles (e.g. many workers are illiterate and come from countries where relationships with institutions are far from positive) both during inspection activities and when receiving complaints (multilingual complaint forms are published on the INL website and, in some areas, where the problem is more serious and widespread, multilingual desks have been set up at the concerned labor inspectorates to receive complaints from migrant workers in the presence and with the assistance of a cultural mediator). Preventative measures promote information about rights and obligations to non-EU nationals, especially those with low skills and/or language barriers. For employers, preventative approaches include support to register non-EU national workers, certifications and websites facilitating job matching, as well as a focus on subcontracting chain liability.<sup>90</sup>

In 2020, to deal with the pandemic crisis, the Italian government created forms of economic policy intervention – incentives to make payments electronically and various support mechanisms for companies and workers – that have had a significant impact on the behaviour of companies and consumers.

Italy has also sought to improve detection by developing more strategic and coordinated approaches to governance and creating sector-specific risk indicators, as specific criteria can improve detection by helping to define unique signs of potential bogus self-employment. In the construction sector, labour inspectors verify who owns the machinery and equipment that self-employed workers might use and investigate whether the worker is contracted by a single client.<sup>91</sup>

At preventative level, in recent years Italy also held an amnesty regarding possible fines if the employer transformed contracts of self-employment (including those suspected of being false self-employment) into open-ended subordinate employment contracts, making it easier for employers to legitimise their employment relationships.<sup>92</sup>

National and regional authorities are also involved in specific actions on the supply side, that aim to raise awareness and provide information. The city of Bologna adopted a Charter of Fundamental Rights of Digital Labour in the Urban Context in 2018.<sup>93</sup> The charter provides guidance on fair wages, health and safety, protection of personal data and the right to disconnect; the platforms that sign the charter are encouraged to observe it. The

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<sup>89</sup> *Different forms of cross-border undeclared work, including through third-country nationals*, op.cit. p. 36.

<sup>90</sup> *Counteracting undeclared work and labour exploitation of third-country national workers*, op.cit., p. 48, p. 51.

<sup>91</sup> European Labour Authority, *Different forms of cross-border undeclared work, including through third-country nationals*, September 2021, p. 25.

<sup>92</sup> Williams, C.C., Llobera, M., Horodnic I.A. (2020), op.cit., p. 71.

<sup>93</sup> Charter of Fundamental Rights of Digital Labour in the Urban Context, <https://digitalplatformobservatory.org/initiative/charter-of-fundamental-rights-of-digital-labour-in-the-urban-context/>, Accessed 11 December 2022.



region of Lazio maintains an online register of platform workers and platforms and provides additional online information on the rights of platform workers.<sup>94</sup>

The CUORE (*Centri Operativi per la Riqualificazione Economica*) Initiative, which originated in Naples, provides formalisation advice and support service. Following a request by a business operating in the undeclared economy, CUORE operators devise custom-made regularisation pathways. The project workers monitor each step in the process to ensure that the businessperson follows the agreed path towards regularisation and that it still suits the needs of the business. Project workers tend to be familiar with the neighbourhood. Besides advice and support, incentives are also provided. Business consortia have established promotional aid, training, trade fairs, branding protection and aid with internationalising their markets. This provides additional incentives for formalisation by helping businesspeople to compete on grounds other than labour cost.<sup>95</sup>

As regards the collaborative economy, in 2020 in Italy the share of the working age population which had ever provided (paid) services via platforms was 22 %.<sup>96</sup> The 2020 annual programme document released by the Labour Inspectorate (INL) (*Documento di programmazione della vigilanza per il 2020*), identified platform work as a priority area of intervention. A first inspection campaign by the INL in the Milan area was launched during one of the pandemic peaks (early May 2020). The first national inspection campaign in the food-delivery sector was also implemented in the days immediately following the decision of the Tribunal of Milan on a food delivery case.<sup>97</sup> On the basis of investigations by the Labour Inspectorate, in early 2021 criminal proceedings against four food-delivery platform businesses in Italy resulted in a fine totalling EUR 733 million. About 60000 riders who worked as self-employed for the platforms during the period 2016-2020 were 'reclassified'.

The labour and social security inspectorates have actually been very active in recent years, 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 the reclassification of people working through platforms as para-subordinated workers or employees.<sup>98</sup> On the 24 January 2020, the Italian Supreme Court ('*Corte di Cassazione*')<sup>99</sup> classified 'platform work' carried out by 'riders' as para-subordinated work, under rules that are meant to guarantee protection to non-standard workers and to reduce the risks associated with bogus self-employment, facilitating the formalisation of under-declared and/or undeclared work. However, disparities remain as regards the consideration of delivery riders working for digital platforms as employees. On 24 November 2020, the Palermo Labour Court (*Tribunale di Palermo*) found that a Foodinho driver was an employee of that platform.<sup>100</sup>

Subsequently, on 31 December 2020, in a case involving Deliveroo, in the Bologna Labour Court (*Tribunale Ordinario di Bologna*),<sup>101</sup> a judge established that 'Frank' (the name of the algorithm) is 'blind' to the needs of riders, 'who are not machines, but workers with rights', thus establishing that the application of the algorithm was discriminatory, recognizing the riders' fundamental rights as regards collective labour rights or falling ill. Besides,

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<sup>94</sup> Hauben, H. *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, Eftheia Bvba in cooperation with ICF, 19-20 May 2021, p. 15.

<sup>95</sup> Williams, C.C., *Elements of a Preventative Approach Towards Undeclared Work: An Evaluation of Service Vouchers and Awareness Raising Campaigns* (May 18, 2018). European Commission, Brussels (2018), Available at SSRN: <https://ssrn.com/abstract=3180641> p. 23.

<sup>96</sup> Williams, C.C., Llobera, M., Horodnic I.A. (2020), op.cit., p. 9

<sup>97</sup> Corte di Appello di Torino. Judgment of 11 January 2019 in the Foodora case. On this judgment see Williams, C.C., Llobera, M., Horodnic I.A. (2020), op.cit., p. 99.

<sup>98</sup> Hauben, H., op.cit., p. 5.

<sup>99</sup> Corte di cassazione. Sentenza n. 1663 del 24/1/2020,

[https://www.lavorodiritteuropa.it/images/Cassazione\\_Foodora-.pdf](https://www.lavorodiritteuropa.it/images/Cassazione_Foodora-.pdf), Accessed 10 December 2022.

<sup>100</sup> Tribunale di Palermo pubbl. il 24/11/2020, Sentenza n. 3570/2020, <https://www.rivistalabor.it/wp-content/uploads/2020/12/Trib.-Palermo-24-novembre-2020-n.-3570.pdf>, Accessed 10 December 2022.

<sup>101</sup> Tribunale Ordinario di Bologna, Sezione Lavoro, causa iscritta al n. r.g. 2949/2019, N. R.G. 2949/2019 <https://www.bollettinoadapt.it/wp-content/uploads/2021/01/Ordinanza-Bologna.pdf>, Accessed 10 December 2022.



Italy requires platforms in the accommodation rental industry to collect the tourist-tax revenues owed by service providers and forward them directly to the tax authority.<sup>102</sup>

### 3.3 Good practices<sup>103</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 Italy:

- ▶ [Certification of labour contracts](#) (2021). In Italy, the classification of employment contracts is very important, as different contracts provide different rights and levels of protection. The certification of contracts was introduced in 2003 with the aim of reducing uncertainty and ensuring compliance with the regulatory framework. In 2011, the certification procedure was extended to become compulsory only in particular sectors where services are performed within confined spaces or spaces with a risk of pollution; this was due to several fatal accidents, generally related to failures in risk assessment, personal protective equipment and training, and mainly occurred during the execution of contracts or subcontracts for services.
- ▶ [Quality Agricultural Work Network](#) (2021). In order to better target labour inspections and encourage virtuous behaviour among companies in the sector, the Quality Agricultural Work Network whitelists companies operating in the agriculture and fishing sector that fulfil their statutory obligations. The initiative was started and is managed by the Social Security Institute (INPS) in cooperation with relevant national authorities.
- ▶ [Redditometro online tool](#) (2018). Redditometro (Income Meter) is a software tool, aimed at improving tax compliance and tax collection in Italy, introduced after 2009. As a risk assessment tool, it guides the inspections of the Italian Revenue Agency (*Agenzia delle Entrate*) comparing households' tax returns to predefined consumption group models, based on data of the actual spending patterns of Italian households.
- ▶ [Operational synergies for all-round checks](#) (2018). The pilot project consists of a regional Memorandum of Understanding on cooperation and data sharing between the National Labour Inspectorate (INL) – Territorial Inspectorates of the Veneto Region - and the State Police to improve the detection of undeclared work in the road transport sector. The two institutions agreed to conduct joint inspections, to maximise the value of each authority's respective knowledge (including databases) and their technical equipment. This cooperation is combined with mutual training activities between the two institutions. Furthermore, cooperation also extends to the follow-up stage in cases where the two authorities jointly prepare court proceedings in cases for prosecution.
- ▶ [Reform of the Italian labour inspections system](#) (2017). The reform of the Italian National Inspectorate for Labour Inspections is an example of a comprehensive institutional reform. The new system brings together the inspection body of the three relevant stakeholders involved in labour inspection that previously worked in parallel: The Ministry of Labour and Social Policies, the National Institute of Social Security (INPS), and the National Institute for the Insurance against Accidents at Work (INAIL). The objective of the reform was to improve coordination of activities, make better use of resources, and simplify procedures in order to enhance compliance with the system.
- ▶ [Suspension of business activity](#) (Art. 14, Legislative Decree No. 81/2008). This is the measure that the inspection staff of the Labour Inspectorates can take in order to combat undeclared work as well as serious violations in the field of labour and health and safety protection. Suspension is adopted in the following cases:

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<sup>102</sup> Williams, C.C., Llobera, M., Horodnic I.A. (2020), op.cit., p. 44

<sup>103</sup> [Virtual library | European Labour Authority \(europa.eu\)](#).



- ▷ employment of personnel not resulting from mandatory documentation to the extent of 10 % or more of the total number of workers in the workplace;
- ▷ presence of serious violations in the area of health and safety protection.

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

### 3.4 Challenges and barriers

On the whole, the fight against undeclared work has benefited from the existence of exhaustive statistical data on undeclared work in Italy since the 1990s, and from the transformation of the organisation of the Labour Inspectorate, which has created the conditions for the effective coordination of all the authorities responsible for combating illegal work. However, Kosta and Williams have provided new evidence that formal sector enterprises that have to compete against unregistered or informal sector enterprises suffer deleterious effects in terms of annual sales growth and annual productivity growth in an advanced economy.<sup>104</sup> Thus, to achieve a more holistic approach, certain aspects need continual reinforcement, including the raising of awareness and a policy which focuses on improving tax morality, which should prove even more effective in the long term.

Important sectoral challenges remain in PHS and in agriculture. Each of these two sectors accounts for a significant proportion of undeclared work by irregular migrants, which is difficult to combat due to their fear to report it. Promotion of decent working conditions and national legislation to control migratory flows need to be calibrated to balance conflicting values.

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Italy	8.61	44 %	36 %	37 %
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>104</sup> Kosta, B. and Williams, C.C. (2020) 'Evaluating the effects of the informal sector on the growth of formal sector enterprises: lessons from Italy'. *Journal of Developmental Entrepreneurship*, 25 (03), p. 9.





Additional macro-economic and structural conditions of institutions affecting the prevalence of undeclared work in Italy 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 <sup>105</sup>
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

<sup>105</sup> Social Security desk checks



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>106</sup>	Yes <sup>107</sup>
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	Yes
'Formalisation' advice to start-ups	Yes
'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

<sup>106</sup> Tribunale di Palermo pubbl. il 24/11/2020, Sentenza n. 3570/2020, <https://www.rivistalabor.it/wp-content/uploads/2020/12/Trib.-Palermo-24-novembre-2020-n.-3570.pdf>, Accessed 10 December 2022.

<sup>107</sup> Online multi-lingual complaint template.



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	Yes
Access to free marketing	No
<b>Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)</b>	
Service vouchers	Yes
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)	Yes
<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)	Yes
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)	Yes
Normative appeals to businesses to operate on a declared basis	Yes
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 Italy. 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**

ITALY				
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))	0.42	0.48	<span style="color: green;">■</span>	-
<b>2. Formal institutions acting in a corrupt manner</b>				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	42	53	<span style="color: green;">■</span>	-
Control of corruption (-2.5 to 2.5 (strong performance))	0.19	0.26	<span style="color: green;">■</span>	-
<b>II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES</b>				
<b>1. Modernisation Explanation - Level of ‘development’</b>				
GDP (current prices, euro per capita)	26 480	30 080	<span style="color: green;">■</span>	31 300
Human Development Index (HDI) (0-1 (highest development))	0.878	0.897	<span style="color: green;">■</span>	-
Social Progress Index (SPI) (0-100 (high)) **	84.41	84.41	<span style="color: orange;">■</span>	-
Self-employment (% of total employment)	22.5	20.4	<span style="color: green;">■</span>	13.4
<b>2. State intervention</b>				
Burden of government regulation (1-7 (best))	2.2	2.1	<span style="color: red;">■</span>	-
Business flexibility index (0-10 (high))	6.89	7.78	<span style="color: green;">■</span>	-
Expense of government (% of GDP)	44.0	42.3	<span style="color: red;">■</span>	36.6
Research & Development expenditure (% of GDP)	1.22	1.46	<span style="color: green;">■</span>	2.23
Tax revenue (% of GDP)	23.7	24.6	<span style="color: green;">■</span>	19.7
Social contributions (% of revenue)	33.9	33.0	<span style="color: red;">■</span>	33.0
Impact of social transfers on poverty reduction (%)	21.03	20.24	<span style="color: red;">■</span>	32.38
Labour market policy (LMP) expenditure (% of GDP)	1.62	1.52	<span style="color: red;">■</span>	1.65
Unemployment rate (% of active population)	7.9	9.9	<span style="color: red;">■</span>	6.8
People at risk of poverty/social exclusion (% of total population)	24.9	25.6	<span style="color: red;">■</span>	20.9
Severe material deprivation rate (% of total population)	7.3	7.4	<span style="color: red;">■</span>	5.5
Inequality of income distribution (income quintile share ratio)	5.31	6.01	<span style="color: red;">■</span>	4.99
Gini coefficient (0-100 (perfect inequality))	31.8	32.8	<span style="color: red;">■</span>	30.2
Labour productivity (% change on previous period)	-3.7	0.0	<span style="color: green;">■</span>	0.7
<b>III. FORMAL INSTITUTIONAL POWERLESSNESS</b>				
Reliability of police services (1-7 (best))	4.6	4.8	<span style="color: green;">■</span>	-
Judicial independence (1-7 (best))	3.1	4.0	<span style="color: green;">■</span>	-
Rule of law (-2.5 to 2.5 (strong performance))	0.40	0.30	<span style="color: red;">■</span>	-
Regulatory quality (-2.5 to 2.5 (strong performance))	0.97	0.95	<span style="color: red;">■</span>	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.03	0.91	<span style="color: red;">■</span>	-
Trust in Government (% tend to trust)	26	25	<span style="color: red;">■</span>	35
Trust in Parliament (% tend to trust)	27	27	<span style="color: orange;">■</span>	34
<b>IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY</b>				
Democracy Index (0-10 (full democracy)) ***	7.83	7.52	<span style="color: red;">■</span>	-
Political stability (-2.5 to 2.5 (strong performance))	0.35	0.40	<span style="color: green;">■</span>	-
<b>B. INFORMAL INSTITUTIONS</b>				
Social capital (0-100 (high))	52.8	53.5	<span style="color: green;">■</span>	-
Tax compliance (0-10 (high))	6.81	7.33	<span style="color: green;">■</span>	-
Year:	2013	2019		



<i>Acceptability of undeclared work (% total 'unacceptable')</i>				
Firm hires worker on undeclared basis	85	82	<span style="color: red;">■</span>	82
Undeclared work by firm for firm	85	85	<span style="color: yellow;">■</span>	85
Undeclared work by individual for private household	78	76	<span style="color: red;">■</span>	67
Undeclared work by firm for private household	82	83	<span style="color: green;">■</span>	82
Someone partially or completely conceals their income	83	80	<span style="color: red;">■</span>	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	37	44	<span style="color: red;">■</span>	36
<b>TREND (2009-2019):</b> <span style="color: green;">■</span> = positive <span style="color: yellow;">■</span> = unchanged <span style="color: red;">■</span> = 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.