



Factsheet on undeclared work – POLAND

March 2023

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



European Platform
tackling undeclared work



The authors would like to thank all of the stakeholders consulted for their input into the factsheet.
Manuscript completed in March 2023.

LEGAL NOTICE

© European Labour Authority, 2023

Reproduction is authorised provided the source is acknowledged.

For any use or reproduction of photos or other material that is not under the copyright of the European Labour Authority, permission must be sought directly from the copyright holders.

Neither the European Labour Authority nor any person acting on behalf of the European Labour Authority is responsible for the use which might be made of the following information.

The task has been financed by the European Labour Authority. The document has been prepared for the European Labour Authority however, it reflects the views of the authors only. The information contained in this paper does not reflect the views or the official position of the European Labour Authority or the European Platform tackling undeclared work.



Contents

1.0 Nature and estimated scale of undeclared work	1
1.1 Legal definition.....	1
1.2 Estimates of undeclared work	1
2.0 Institutional framework	6
2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work.....	6
2.2 Cooperation and collaboration between authorities and cross-border authorities.....	8
2.2.1 The legal basis	8
2.2.2 Cooperation between authorities in Poland	9
2.2.3 Cooperation with other Member States	10
3.0 Policy focus and measures	10
3.1 Policy approach	10
3.2 Main policy measures	11
3.3 Good practices.....	11
3.4 Challenges and barriers	12
Annex 1: Approaches used to tackle undeclared work.....	14
Annex 2: Dashboard: overview of key indicators relevant to undeclared work	17



1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

In Poland, there is no single and official definition of undeclared work. However, there is the definition of 'illegal employment' laid down in Article 2 of the Act of Employment Promotion and Labour Market Institutions². The Act defines 'illegal employment or other illegal paid job' as:

- ▶ employment of a person by an employer without having confirmed in writing, within the required time, the type and conditions of the contract concluded;
- ▶ failure to register a person employed or performing other paid work for social insurance purposes;
- ▶ taking up of employment or other paid work by an unemployed person without notifying the district labour office;
- ▶ work of a foreign person without work permit issued by the competent authority, except for foreign persons released under Article 87 from the duty to possess such permit or entrusting such a person with the performance of work at a post or under conditions other than those specified in the work permit.

1.2 Estimates of undeclared work

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

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,⁴ in 2019, 16.0 % of total labour input in the private sector in the EU is undeclared (20.8 % in 2013). Therefore, between 2013 and 2019, there has been a decline in undeclared work. This displays the progress in tackling undeclared work. The extent of undeclared work in Poland was higher compared with the EU-27 average (see Figure 1 below).

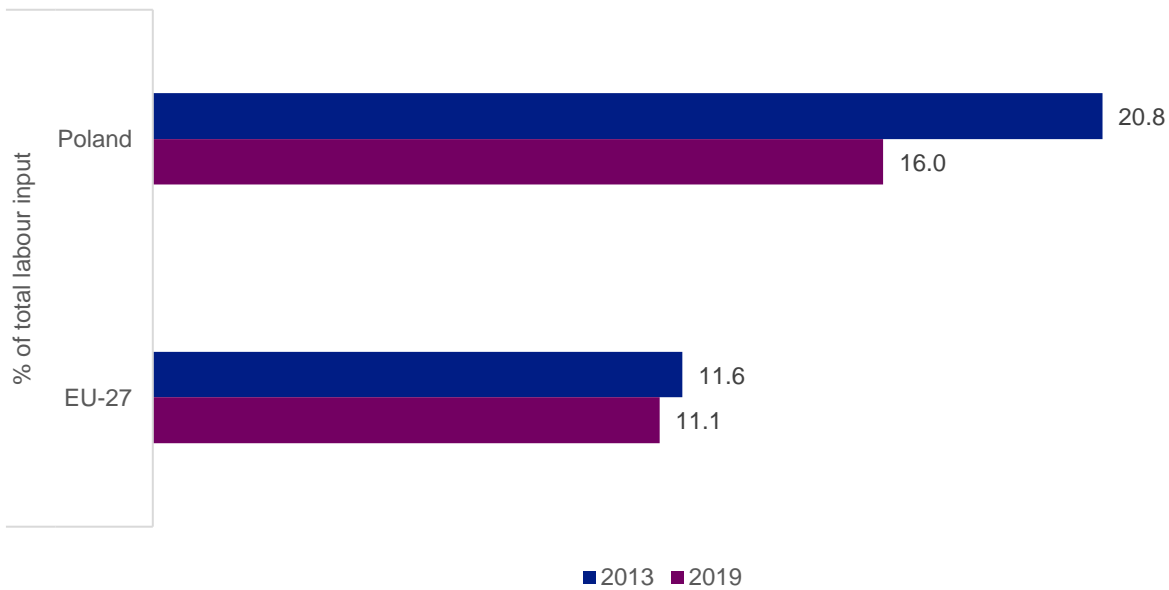
² Act of 20 April 2004 on Employment Promotion and Labour Market Institutions.

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

⁴ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kadir, 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).



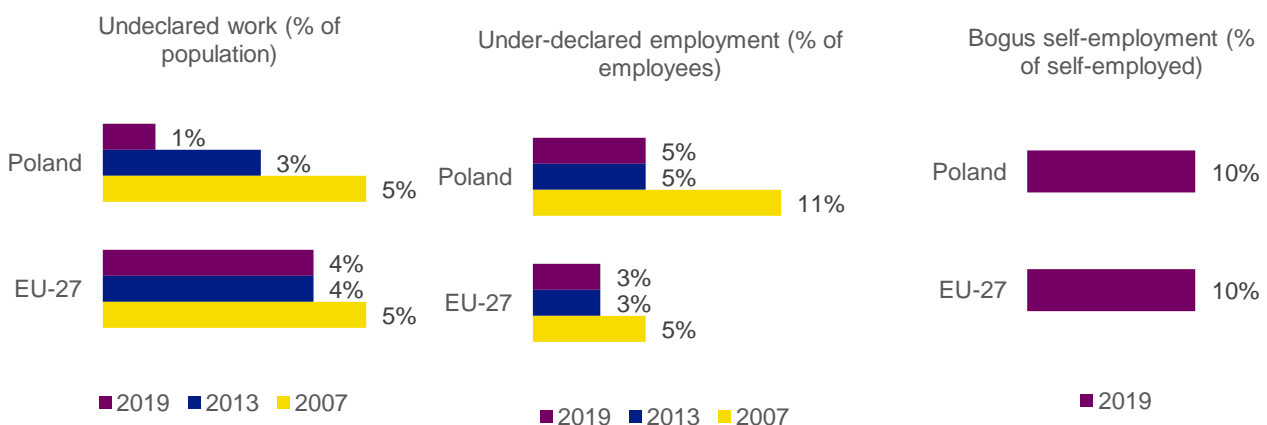
Figure 1. The scale of undeclared work in the private sector in Poland and EU-27, 2013 and 2019



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

The figures below indicate the current state and development of undeclared and under-declared work and bogus self-employment between 2007 and 2019 for Poland, 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 relationships⁵.

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



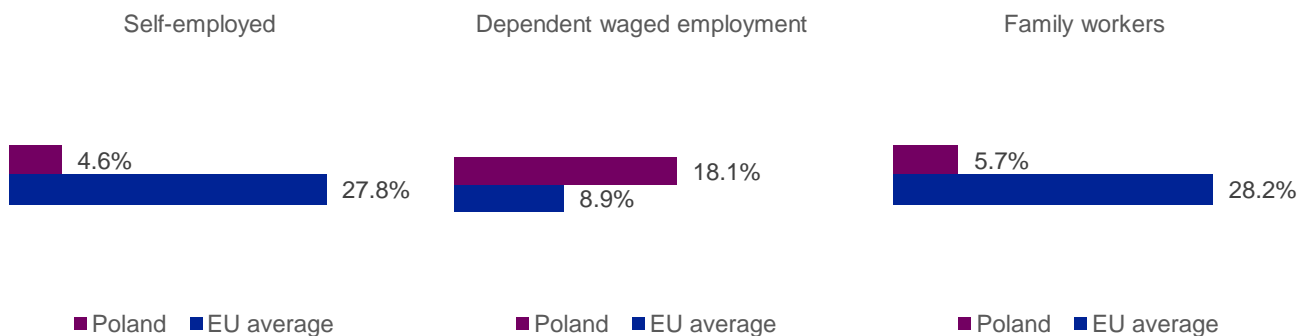
⁵ Williams, C.C and Horodnic I.A. (2020). Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.



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) estimates⁶, in Poland, 18.1 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 4.6 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 5.7 %⁷.

Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Poland, 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 Poland in 2019 using the LIM estimates (see Figure 3),⁸ the proportion of undeclared labour input that is dependent waged employment is 95.5 % (62.9 % in the EU-27), 4.4 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input that is family work is 0.2 % (0.8 % in the EU-27). Therefore, compared with the EU-27, dependent waged employment is a larger proportion of undeclared work and self-employment a smaller share.

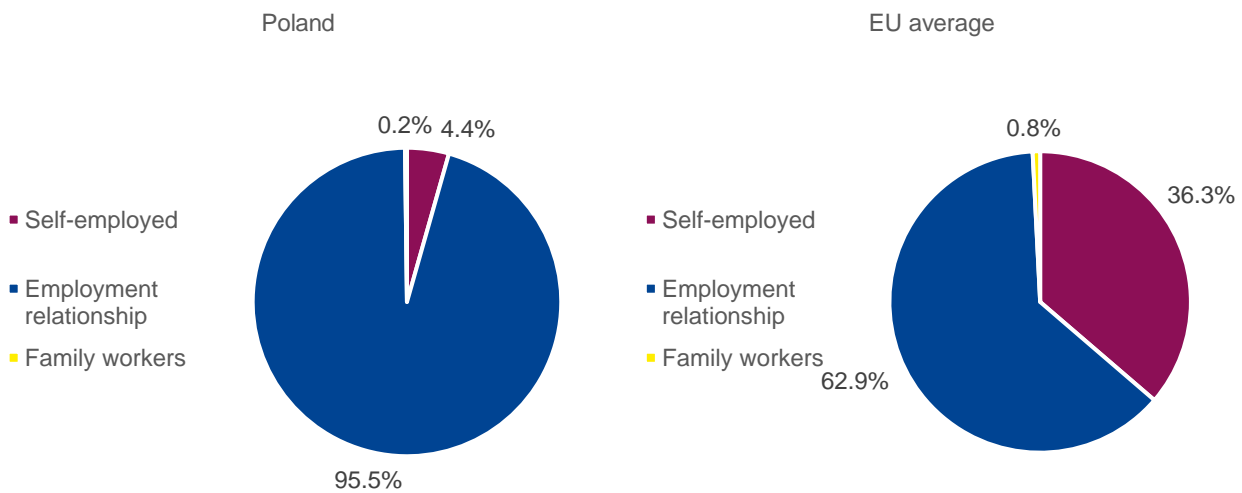
⁶ Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

⁷ This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

⁸ Franic, J., Horodnic, I.A. and Williams, C.C. (2022).



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

Workplace inspections conducted by the National Labour Inspectorate⁹ (NLI) include proactive inspections (inspections scheduled in long-term and short-term operational programmes) and reactive inspections, e.g. in response to worker complaints. In 2021, the National Labour Inspectorate received 45 200 complaints. The common subjects for such inspections are the payment of remuneration for work and other work-related benefits, establishing and terminating an employment relationship, working time, working conditions, and the legality of employment.

The subjects of reported complaints regarding remuneration for work were most often connected with non-payment, lower payment, or untimely payment of remuneration for regular work, overtime work, or due allowances, the equivalent for unused holiday leave, etc. Regarding the issues of employment relationships, complaints most often pointed to the failure to issue or untimely issue of an employment certificate and questioning its content, irregularities in the termination of employment contracts, concluding civil law contracts in conditions where an employment contract should be concluded, and lack of confirmation in writing of the employment contract concluded.

In 2021, the National Labour Inspectorate conducted 38 000 inspections regarding the correct employment of employees based on civil law contracts¹⁰ instead of employment contracts and paying remuneration properly. Out of these, 2 500 civil law contracts were disputed.

In about one third of all cases (29%) infringements were connected to non-fulfilment of the minimum wage payment provision. This violation of labour law occurred the most in administrative services, construction, accommodation, and catering services.

The sectors where the most violations of the provisions of the Labour Code regulating remuneration were found were trade and repair, industrial processing, construction, transport and warehouse management, accommodation

⁹ Website: <https://www.pip.gov.pl/>, contact email: kancelaria@gip.pip.gov.pl, accessed 25 November 2022.

¹⁰ The reasons to conclude such contracts include minimization of employment costs and insufficient knowledge of legislation.



and food services and administration services. Most irregularities take place in small (up to 9 employees) and medium (from 10 to 49 employees) entities.

In 2021, the National Labour Inspectorate conducted over 13 800 inspections to examine the legality of employment for Polish citizens, more specifically: an employment contract was concluded, or the terms of the employment contract were confirmed in writing before the employee was actually allowed to work; insurance application has been made; a working person is not registered as unemployed; the controlled entities fulfilled their obligations regarding payment of contributions to the Labour Fund. In 4 600 inspection cases, infringements connected to employment regulations were found. The most frequently identified irregularities concerned the lack of registration of workers with social insurance or their registration passed the statutory deadline; unfulfilling the obligations to the Labour Fund, understatement of the employee's working hours in the employment contract and payment of remuneration or a part of it for additional working hours outside the official channel ('in the envelope') without paying social security contributions and taxes. The latter is an example of under-declared employment. It was an understatement of the employee's working hours in the employment contract and payment of remuneration or a part of it outside the official circulation (the so-called "under the table" payments), i.e., without paying the required income tax contributions and advances.

Out of 495 inspections of employment agencies, irregularities were found in 66 % of cases. A common violation was when an employment agency registers its premises in private apartments or uses the services of virtual offices. This does not meet the requirements for the agency to have premises where the services are provided.¹¹ The agencies' clients are primarily foreigners who came to look for work in Poland or in entities located outside of Poland. In 2021, the National Labour Inspectorate completed almost 6 500 inspections on the legality of employment of foreigners. The largest group of illegally employed foreigners were the citizens of Ukraine.

Undeclared work in the platform economy is considered as a priority area for enforcement agencies in Poland. For this, legislation on personal transportation was amended to allow electronic service platforms to enter the local market. Now in Poland, drivers of ride hailing apps must have the same licence as drivers of traditional companies, while cars must have a sign and a taximeter. The Amendments to the Polish Act on Road Transport, Road Traffic Act and Act on Drivers' Working Time which were adopted by the Parliament of Poland on 16 May 2019 and entered into force on 1 January 2020. According to them, all entities involved in the carriage of passenger cars and taxis must adhere to the same requirements set forth by these laws. The enforcement agencies conduct inspections in order to detect such irregularities with the focus on the employment status of workers. For example, in 2019, the National Labour Inspectorate conducted two inspections of Uber and 27 inspections of entities cooperating with the Uber group and in other companies active in the sector of passenger transport and food delivery via an electronic service platform.¹² These inspections were conducted in 11 out of 16 regional labour inspectorates.

¹¹ Act of 20 April 2004 on Employment Promotion and Labour Market Institutions.

¹² Report available at https://www.ela.europa.eu/sites/default/files/2021-12/Learning-resource-paper_TRW_collaborative_economy.2021_EN.pdf, accessed 28 November 2022.



2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

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

Key institutional feature	Existence
A high-level coordinating body in the country	No
A national strategy for tackling undeclared work	No
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	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.¹³

The key national authorities with responsibilities for identifying, tackling, and/or preventing undeclared work include the following:

- ▶ **The National Labour Inspectorate (NLI)** is an authority established in order to supervise and inspect the observance of labour law, in particular occupational safety and health rules and regulations as well as regulations on legality of employment and other paid work in the scope specified by the Act of 13 April 2007 on the National Labour Inspectorate . The National Labour Inspectorate is subordinated to the Sejm (Lower House of the Parliament) of the Republic of Poland. The latter exercises supervision over it, to the extent specified in the Act of 13 April 2007. Although the NLI, as an autonomous enforcement authority outside of the government, is not an overarching coordination high level body in the country, it has a leading role in combating undeclared work through effective and targeted inspections and preventive actions aimed at reducing accident risks and respecting labour law. If labour inspectors identify infringements of provisions on social insurance, tax law or provisions on foreigners, information about these cases must be submitted to competent authorities, namely to the Social Insurance Institution , revenue inspection office, the police, Border Guards.

Common cross-government strategic objectives and KPIs/targets for tackling undeclared work exist in Poland, however the National Labour Inspectorate is not responsible for setting the objectives of other public administration authorities or coordinating the execution of their statutory tasks. The common KPIs are set out in the governmental growth programme [Polski Ład – \('the Polish Order'\)](#)¹⁴. The strategic objective of the programme is to transform undeclared work into formal work, increase budgetary funds and, in the long-term, eliminate depletions due to unpaid contributions to the Social Insurance Institution and taxes.

¹³ 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.

¹⁴ The 'Polish Order' is an integral vision of social and economic development. Its aim is to improve the living comfort of Poles and increase innovation in the national economy, available at [- Polski Ład - Portal Gov.pl \(www.gov.pl\)](#), accessed 28 March 2023.



- ▶ **The Social Insurance Institution (SII) ('ZUS')** is a state organisational unit, which tasks are defined in the Act of 13 October 1998 on the social insurance system. SII also fulfils various functions empowered by virtue of other laws. SII is one of the biggest public institutions in Poland. On the one hand, SII holds financial functions, such as e.g., contributions collection, benefits payment, tax payment on behalf of pensioners, and on the other hand it endeavours to be an institution that should provide its clients – persons insured, beneficiaries and contribution payers – with a sense of security connected with efficient, friendly and reliable services. Among other functions, SII establishes entitlement and pays benefits to which it has established entitlements, collects social insurance contributions, issues decisions to establish the entitlement to social insurance benefits, collects and accounts for the health insurance contribution, collects contributions to the Labour Fund and other funds, carries out its own educational initiative, cooperates with governmental bodies, foreign institutions and international organisations.
- ▶ **The National Revenue Administration (NRA)**¹⁵ is responsible for the implementation of revenues from taxes, customs duties, fees, and non-tax budget receivables. NRA provides service and support for the taxpayers in the fulfilment of tax and customs obligations. Among other tasks¹⁶, NRA develops e-services for the taxpayers and supports them, promotes compliance with tax law, conducts an effective fight against dishonest entities and coordinates, initiates and supervises international cooperation regarding the exchange of customs and tax information, as well as mutual assistance in the recovery of taxes, duties and other monetary liabilities.

Furthermore, the National Labour Inspectorate consists of the Chief Labour Inspectorate, 16 regional labour inspectorates with 43 branches, and the Training Centre of the National Labour Inspectorate in Wrocław. There is the Legality of Employment Department at the Chief Labour Inspectorate in Warsaw¹⁷. The work of district labour inspectorates is managed by district labour inspectors.

A labour inspector has the right to conduct, at any time of day or night without a prior notice, an inspection of the observance of labour law on the premises of all economic entities for which work is executed by natural persons. In cases when infringements of regulations are identified, a labour inspector is empowered to issue an order (administrative decision) demanding that the employer eliminates the identified irregularities, discontinues the work immediately or to transfer employees, and pay the compensation and any other benefits due to an employee based on an employment relationship. In certain cases, a labour inspector has the power to punish the offender with a fine or lodge a complaint with the labour court with a motion for punishing the offender.

Since the legal employment of foreigners is recognised as a challenge in Poland, the helpline for foreigners was established in the Legal Advice Centre of the National Labour Inspectorate and its popularity is growing. Three telephone stands were launched in the National Labour Inspectorate offices in Warsaw, Rzeszów and Olsztyn. The information provided over the phone by the NLI is available in Polish and Ukrainian.

There is an online complaint form with the possibility to report undeclared work. The National Labour Inspectorate also provides free legal advice in the field of labour law¹⁸.

In the light of statutory regulations, the National Labour Inspectorate executes first and foremost supervisory and inspection functions. At the same time, preventive activity is an important component long-term strategy, in the form of advice, and legal and technical guidance. Annually, the National Labour Inspectorate provides advice in over 1 million of cases.

¹⁵ Website: https://www.gov.pl/web/kas_ppa@politsei.ee, emta@emta.ee., accessed 29 November 2022.

¹⁶ The full list of its tasks is included in Article 2 of the Act on the National Revenue Administration.

¹⁷ Contact email: robert.jaworski@gjp.pip.gov.pl.

¹⁸ Website: <https://www.gov.pl/web/pip>, accessed 28 November 2022.



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

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviours through campaigns, awards, dedicated websites, etc at sectoral and company level	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	Yes
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	Yes
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	Yes
Providing policy and legal advice on procedural and legal changes needed	Yes
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	Yes
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. Retrieved on 22 December 2022.

Cooperation with trade unions and employers’ organisations is very important for Poland. This cooperation covers dissemination of knowledge of risks and ways of their elimination, exchange of information on the essential issues connected with labour protection, inspections taken by the labour inspectorate and the resulting conclusions. A very important component of promotion is also advice on labour protection. On average, the National Labour Inspectorate’s experts annually provide advice to over 40 000 trade union activists and civic labour inspectors.

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	The Act of 13 April 2007 on the National Labour Inspectorate

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

The tasks imposed on the National Labour Inspectorate by the Act of 13 April 2007 refer to the legality of employment and foreigners’ work. These tasks comprise inspection of compliance with the duty to:

- ▶ inform regional employment offices of the employment of an unemployed person or of entrusting performance of some other paid work to such a person;
- ▶ inform regional employment offices of the commencement of employment of an unemployed person, other salaried work, or activity;
- ▶ pay contributions to the Labour Fund;
- ▶ make an entry in the register of employment agencies with regard to activity the performance of which is dependent on obtaining an entry in the register;
- ▶ run an employment agency in line with the terms specified in the provisions on the promotion of employment and labour market institutions.

2.2.2 Cooperation between authorities in Poland

The rules of cooperation of services within the framework of controls of the legality of employment are set out within the framework of sharing competences defined by law. The regulations are often specified by bilateral agreements between institutions¹⁹.

Labour inspectors and SII employees take part in meetings, conferences and joint trainings on labour law and social security. Cooperation between district labour offices (carrying out controls and explanatory actions on behalf of the National Labour Inspectorate, verification of personal data of employees as far as the obligation to inform the labour office on taking up employment, other paid work or starting activity is concerned, common prevention and information actions) is also positive. The police assists the National Labour Inspectorate during inspections, if this is necessary.

The NLI is also in close cooperation with the Border Guard, whose statutory remit includes inspection of legal employment of foreigners. Since 2007 the two authorities have concluded a number of bilateral agreements on the rules of collaboration. The provisions of the agreement stipulate, among others, that the NLI and Border Guard exchange information on the outcomes of their activity, determine the risk sectors to be targeted with inspections and improve their modus operandi by attending joint training events.

¹⁹ Examples: Framework agreement on cooperation between the National Labour Inspectorate and the Central Institute for Labour Protection of 10 June 2021; Agreement between the Chief Labour Inspector and the Head of the Central Anti-Corruption Bureau of 31 January 2020; Agreement between the Chief Labour Inspector and the Commander-in-Chief of the Border Guard of 10 December 2018; Agreement between the Chief Labour Inspector and the President of the Social Insurance Institution of 23 July 2018 on the principles of cooperation between the bodies of the National Labour Inspectorate and SII in the implementation of the information and education campaign ‘I work legally’ in the years 2017-2019.



The institutions with functions to tackle undeclared work collaborate in applying a strategy for joint inspections and rules for the exchange of information. The National Labour Inspectorate recognises the need to tighten cooperation with other inspection bodies and services (e.g., with SII, NRA and tax institutions), also by conducting joint inspections, prepared based on data from all cooperating institutions.

Among future tasks, the National Labour Inspectorate plans to introduce appropriate changes to legislation to eliminate restrictions related to the lack of access to important databases and registers. Labour inspectors do not have full and direct (online) access to data, like the personal identification system (PESEL) and data of SII – as far as the social insurance security registry and labour fund fees arrears are concerned, as well as the data of district labour offices – concerning persons in the registry of the unemployed.

2.2.3 Cooperation with other Member States

Polish National Labour Inspectorate has signed bilateral cooperation agreements with the respective authorities of Belgium, Bulgaria, Czechia, Denmark, Spain, Estonia, Lithuania, Luxembourg, the Netherlands, Norway, Portugal and Slovakia.

Poland has a legal framework for cross-border joint inspections. Art. 22(3) of the Act of 13 April 2007 on the National Labour Inspectorate – in the scope covering observance of labour law, in particular rules and regulations of occupational safety and health, as well as provisions on legality of employment and other paid work.

The National Labour Inspectorate has concluded bilateral and multilateral cooperation agreements with labour inspections from other countries of the European Economic Area (in particular, Belgium, Bulgaria, Czechia, Denmark, Estonia, Lithuania, Luxembourg, the Netherlands, Norway, Portugal, Slovakia, Spain) which, in principle, stipulate information exchange.

A visiting foreign inspector may conduct an inspection only together with a local Polish inspector, after being granted a personal authorization. Foreign labour inspectors may not commence any activities on their own. Their role in the inspection is of auxiliary nature to the primary role of the Polish inspectors.

Evidence gathered during an inspection conducted in another Member State may be used as evidence before a court in Poland. Such evidence must be gathered in a lawful way in accordance with the Polish legislation and it might be subject to an arbitrary assessment of a national court. As a general rule, foreign language documents need to be translated into Polish and further legalisation may also be required.

As well, evidence gathered during an inspection conducted in another Member State may be used as evidence in administrative proceedings. In this case, official documents of foreign origin are in principle subject to free assessment of the adjudicating authority, unless specific legislation or international agreements provide otherwise. Foreign language documents need to be translated into Polish and certified.

3.0 Policy focus and measures

3.1 Policy approach

In Poland, deterrence is the dominant policy approach to combating undeclared work. The National Labour Inspectorate is equipped with a number of measures to detect and punish the non-compliance of employment registering. Also, policy changes strengthened the detection and punishment of illegal practices. For example, an amendment to the Labour Code introduced the obligation to hand over a physical copy of the employment contract before the starting day of work (and not as before – no later than at the end of the first day of work). In this regard,



this step increased the protection of workers' rights and prevention of illegal employment by giving the National Labour Inspectorate more effective tools to ensure the effectiveness of controls in the field of legal employment.

Some of the elements of the existing and planned policy can be categorised as enabling (preventive) measures. The first of such policies is implemented through, for example, the 'Friendly Law' package, which is a collective package of amendments to 69 laws concerning the functioning of business (such as registration, running a business) from 2020. Such a measure effectively discourages undeclared self-employment (at least in terms of the formal registration – not in hiding part of the income) and makes it easier to run companies in the first period. Another action is raising the tax-free amount (personal allowance) up to PLN 30 000 for taxpayers earning income taxed according to the tax scale from 1 January 2022, which would possibly affect the employee-initiated undeclared work, especially for low-paid workers²⁰.

Apart from these actions, the National Labour Inspectorate undertakes a number of preventive actions, which should in fact be categorised as actions fostering commitment, as they focus on awareness-raising campaigns (e.g. the campaigns 'I work legally!', 'Before you undertake work' and 'On the wave of first work').

3.2 Main policy measures

The 2022 holistic approaches study²¹ indicates that four types of measures are commonly used in Poland to tackle undeclared work - predominantly the use of:

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

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

3.3 Good practices²²

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 Poland:

- ▶ [Rights for All Seasons Information Campaign: Week of action on seasonal work and work abroad](#) (2022). The European Labour Authority (ELA) hosted the EU Week of Action for seasonal workers in September 2021 as part of its 'Rights for All Seasons' information campaign from August to October 2021. During that week Poland's District labour inspectorates implemented a range of activities and events throughout the country on seasonal work and work abroad to raise awareness of the social and labour rights of seasonal workers and reduce undeclared work.

²⁰ Before 2022, a tax-free amount (personal allowance) was a maximum of PLN 8 000.

²¹ Williams, C. and I. Horodnic (2022). Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022. European Platform tackling undeclared work.

²² [Virtual library | European Labour Authority \(europa.eu\)](#)



- ▶ [‘I work legally!’ awareness-raising campaign](#) (2020). ‘I work legally!’ was a three-year nationwide information campaign aimed at raising awareness about labour rights and labour law. The campaign was targeted at all employers and employees, with particular emphasis on workers from Ukraine.
- ▶ [Improving cooperation through coordinated cross-border activities with the Netherlands to prevent labour exploitation in the agriculture and transport sectors](#) (2019). Joint inspections in Polish companies contribute to improving cross-border cooperation between Polish and Dutch authorities. The aim is to prevent exploitation, by Polish companies, of Polish workers posted to work in the agricultural and transport sectors in the Netherlands.
- ▶ [National awareness-raising campaign – ‘Before you undertake work’](#) (2018). The National Awareness Raising Campaign, ‘Before you undertake work’, was carried out during 2013-2015 using several methods of communication with selected target groups, including radio advertisements, publications, meetings seminars etc. It aimed to provide information on employment related labour law provisions, with a particular focus on civil-law contracts, to people entering the labour market.

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

3.4 Challenges and barriers

In general, undeclared work in Poland has been slightly lower than the EU average with the share of undeclared work in Poland in 2019 estimated at the level of only 1 %.

The NLI functions as a leading authority with statutory responsibility for detecting and combating illegal employment. There are also a set of national targets for tackling undeclared work that are common across the whole of government. Social partners are actively involved in dealing undeclared work through cooperation, awareness-raising, support to enforcement authorities, etc. Poland is effective in international cooperation with institutions on the issue of undeclared work.

However, there is no national strategy to address undeclared work and no legal definition of it yet within the legislative framework. This creates barriers to developing a coordinated approach at national level and across borders. As noted above, a large part of undeclared work is provided on behalf of employers.

The high (but lowering) level of social acceptance of undeclared work, especially performed for households, makes penalising measures ineffective in combating it. Also, lack of understanding of the consequences of undeclared work for both workers and employers plays significant role.

In Poland, the citizens’ perceptions of tax morale, horizontal trust and vertical trust is lower than on average in the EU. This can be considered to be among the key drivers of participation in undeclared work (see Table 4).

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Poland	8.14	31 %	41 %	40 %
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.*

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



Annex 1: Approaches used to tackle undeclared work

Table A.1. Approaches used to tackle undeclared work

Approaches used	Existence
PENALTIES	
Use of penalties and fines to prevent participation in undeclared work	Yes
Use of penalties to transform undeclared work into declared work	Yes
Penalties for people or businesses who buy undeclared work	Yes
Reclassifying false employment relationships (e.g., bogus self-employment)	Yes
Use of non-compliance lists ('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	No
Use data mining to determine risky businesses for inspection	No
Coordination of data mining and sharing across government departments	No
Coordination of strategy on undeclared work across government departments	No
Use of complaint reporting tools (e.g. telephone hotlines) ²³	Yes
Certification of business, certifying payments of social contributions and taxes	No
Notification letters	No
Mandatory ID in the workplace	No

²³ [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared)



Supply chain responsibility (e.g., joint and several liability, due diligence)	No
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	No
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	Yes
'Formalisation' advice to start-ups	Yes
'Formalisation' support services to existing businesses	Yes
Targeted VAT reductions	Yes
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	No
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
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)	Yes
FOSTERING COMMITMENT TO OPERATE DECLARED	
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	No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes
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	Yes
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 Poland. 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

POLAND				
INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))	0.52	0.54	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	58	58	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	0.44	0.64	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	8 240	13 870	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.835	0.881	■	-
Social Progress Index (SPI) (0-100 (high)) **	80.70	81.22	■	-
Self-employment (% of total employment)	18.3	17.4	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	2.7	2.9	■	-
Business flexibility index (0-10 (high))	7.24	7.44	■	-
Expense of government (% of GDP)	36.8	34.1	■	36.6
Research & Development expenditure (% of GDP)	0.66	1.32	■	2.23
Tax revenue (% of GDP)	16.1	17.3	■	19.7
Social contributions (% of revenue)	38.0	40.6	■	33.0
Impact of social transfers on poverty reduction (%)	27.54	36.89	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	0.94	0.45	■	1.65
Unemployment rate (% of active population)	8.5	3.3	■	6.8
People at risk of poverty/social exclusion (% of total population)	27.8	18.2	■	20.9
Severe material deprivation rate (% of total population)	15.0	3.6	■	5.5
Inequality of income distribution (income quintile share ratio)	4.97	4.37	■	4.99
Gini coefficient (0-100 (perfect inequality))	31.4	28.5	■	30.2
Labour productivity (% change on previous period)	2.5	4.5	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	4.1	4.1	■	-
Judicial independence (1-7 (best))	4.1	2.7	■	-
Rule of law (-2.5 to 2.5 (strong performance))	0.65	0.41	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	0.98	1.02	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.03	0.67	■	-
Trust in Government (% tend to trust)	16	34	■	35
Trust in Parliament (% tend to trust)	11	30	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	7.05	6.62	■	-
Political stability (-2.5 to 2.5 (strong performance))	0.94	0.56	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	51.5	47.6	■	-
Tax compliance (0-10 (high))	6.36	6.26	■	-
	Year:	2013	2019	



<i>Acceptability of undeclared work (% total 'unacceptable')</i>				
Firm hires worker on undeclared basis	73	76	■	82
Undeclared work by firm for firm	74	78	■	85
Undeclared work by individual for private household	60	63	■	67
Undeclared work by firm for private household	70	73	■	82
Someone partially or completely conceals their income	70	71	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	28	31	■	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.