



# Factsheet on undeclared work – ROMANIA

**March 2023**

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<sup>1</sup> This is an update of the [2016 factsheet](#)



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

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# 1.0 Nature and estimated scale of undeclared work

## 1.1 Legal definition

The Romanian definition of undeclared work is narrower than the definition adapted at EU level, namely 'any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory systems of the Member States'.<sup>2</sup> Until August 2017, the Labour Code did not include any definition of undeclared work. For tackling undeclared work, the Labour Inspection defined the undeclared work as 'working without a written contract' based on the interpretation of the article 16 in the Labour Code<sup>3</sup> and applying article 260e as a contravention/sanction. The lack of a specific definition determined a large number of employers to go to the court. Significant improvements have been achieved through the Emergency Governmental Ordinance no. 53/2017, amending Law no. 53/2003 (Labour Code), when undeclared work has specifically defined. The definition has been further amended by the Law no. 88/2018 and the Emergency Governmental Ordinance no. 117/2021. As such, undeclared work now covers:

- ▶ accepting a person to work without having concluded a written employment contract no later than a day before the start of activity;
- ▶ accepting a person to work without registration of the employment contract in the Electronic Registry of Employees (REVISAL)<sup>4</sup> no later than a day before the start of activity;
- ▶ accepting an employee to work during the period in which their employment agreement is suspended;
- ▶ accepting an employee to work more hours than those stipulated by a part-time employment contract.

The Emergency Governmental Ordinance no. 117/2021 adds and defines an additional form of undeclared work, namely underdeclared work. Accordingly, underdeclared work represents the payment of a net wage/ salary higher than the wage established and highlighted in the payroll and in the monthly declaration regarding the obligations to pay social contributions, income tax and the nominal record of insured persons, sent to the tax authorities.

## 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>5</sup>.

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<sup>2</sup> European Commission (2017). Undeclared work. Available at: <http://ec.europa.eu/social/main.jsp?catId=1298&langId=en>, accessed 28 November 2022.

<sup>3</sup> See <https://legislatie.just.ro/Public/DetaliiDocument/128647>, accessed 28 November 2022

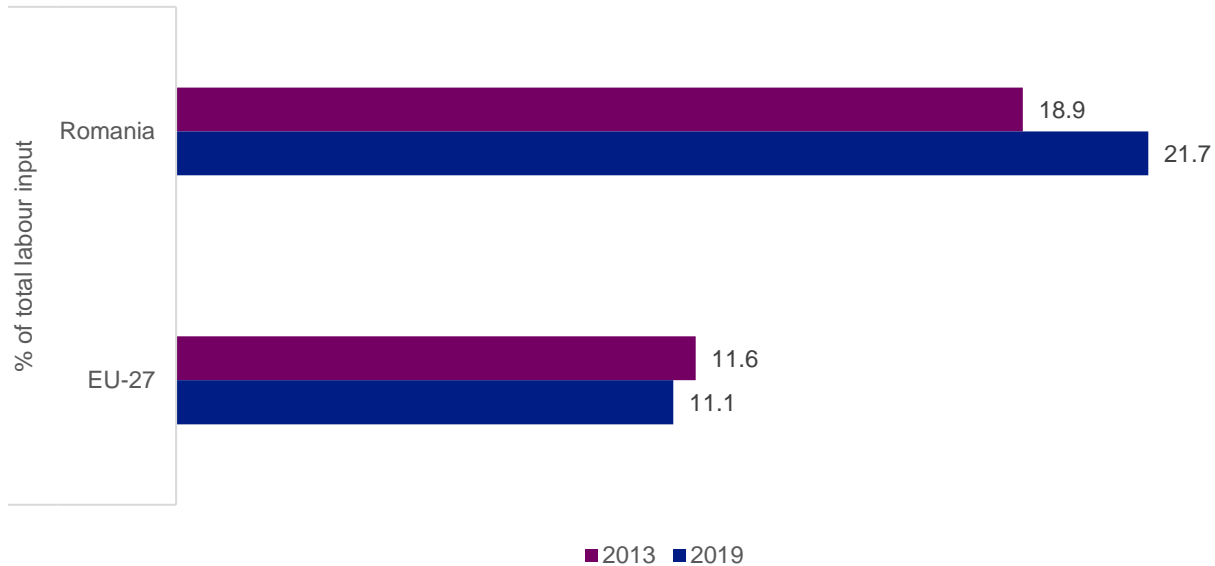
<sup>4</sup> See [General registry of employees - REGES | LPG Romania \(lpg-roumanie.ro\)](https://www.reges.ro/), accessed 28 November 2022.

<sup>5</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.



Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,<sup>6</sup> in 2019, 21.7 % of total labour input in the private sector in Romania was undeclared (18.9 % in 2013). Therefore, between 2013 and 2019, there has been a growth in undeclared work. This displays the room for improvement in tackling undeclared work. The extent of undeclared work in Romania was higher compared to the EU-27 average (see Figure 1 below).

**Figure 1. The scale of undeclared in the private sector in Romania 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. Figures 3 and 6. Retrieved on 30 November 2022.

The figures below indicate the current state and development of undeclared, under-declared and bogus self-employment between 2007 and 2019 for Romania, 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>7</sup>.

A recent study on the construction industry which uses data collected in 2021 reinforces that under-declared employment is the most prevalent form of undeclared work in the industry. The workers were asked to select all the situations applying to them from a list including fully formal/ declared work and nine types of undeclared work, comprising various types on under-reporting employment as well as fully unregistered employment and undeclared self-employment. The finding is that 13 % of the workers under-declare their employment (or their wages): 5 % receive a monthly fixed cash supplement to the fixed official declared wage; 3 % receive a varying cash supplement to the fixed official declared wage based on their professional achievements (i.e., for quicker work, for a high-quality work); 4 % receive a varying cash supplement to the fixed official declared wage based on hours worked and, 1 % receive an occasional undeclared cash payment such as holiday allowances, 13th month wage or

<sup>6</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.

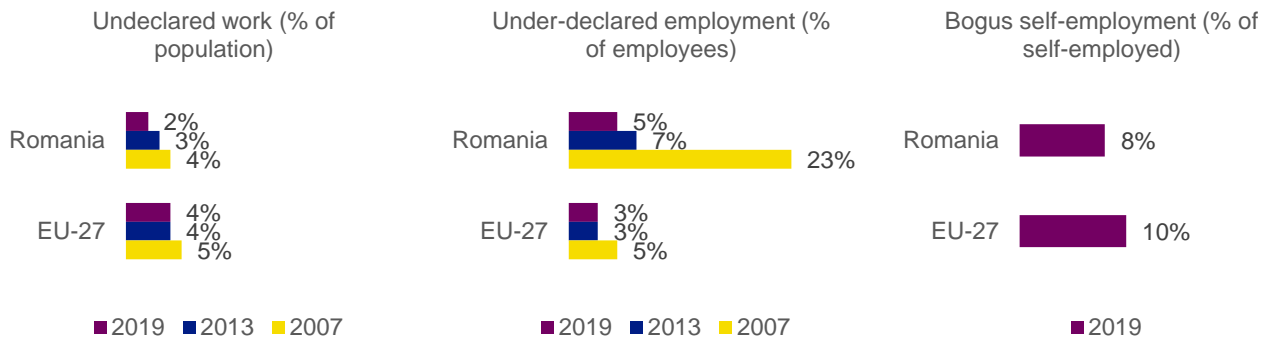
Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Retrieved on 30 November 2022.

<sup>7</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.



bonuses. Additionally, 4 % of workers carry out undeclared paid activities on their own, in their free time, despite having fully declared their work and income with their employer. As such, 17 % of the workers under-report their real income. Only 1 % of them work for an employer and are fully undeclared (without an employment contract), and 1 % work entirely undeclared on their own, without having any legal forms as a registered self-employed person<sup>8</sup>.

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



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

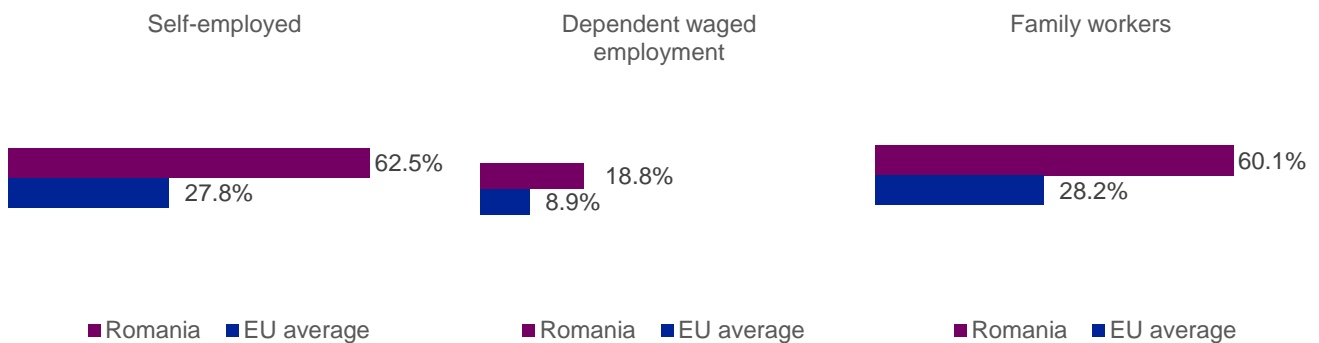
There are also marked differences in the prevalence of undeclared work in different types of employment relationship. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationship, namely self-employment, dependent waged employment, and family work. Analysing the 2019 Labour Input Method (LIM) estimates, in Romania, 18.8 % of dependent waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 62.5 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 60.1 %<sup>9</sup>. Important to mention that in Romania bogus self-employment is higher as percent of total employment compared with the EU-28 average. Regardless of the methodology, the criteria for defining the bogus self-employment or the type of data used, the share of the bogus self-employment in total employment in Romania is in top four highest shares in the EU Member States<sup>10</sup>.

<sup>8</sup> Horodnic A.V. and Horodnic I.A. (2022), Labour force in the construction industry – the case of Romania (in Romanian), Bucharest: The General Federation of Trade Unions FAMILIA (FGS FAMILIA ).Available at: <https://forumulconstructorilor.ro/wp-content/uploads/2022/02/Piata-fortei-de-munca-in-sectorul-Constructii.pdf>

<sup>9</sup> This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

<sup>10</sup> Williams, C.C, Llobera, M. and Horodnic, A.V. (2020), Tackling undeclared work in the collaborative economy and bogus self-employment, European Platform tackling undeclared work: Brussels. Available at: <https://www.ela.europa.eu/sites/default/files/2021-09/Report%20UDW%20in%20collaborative%20economy%20and%20BSE.pdf>

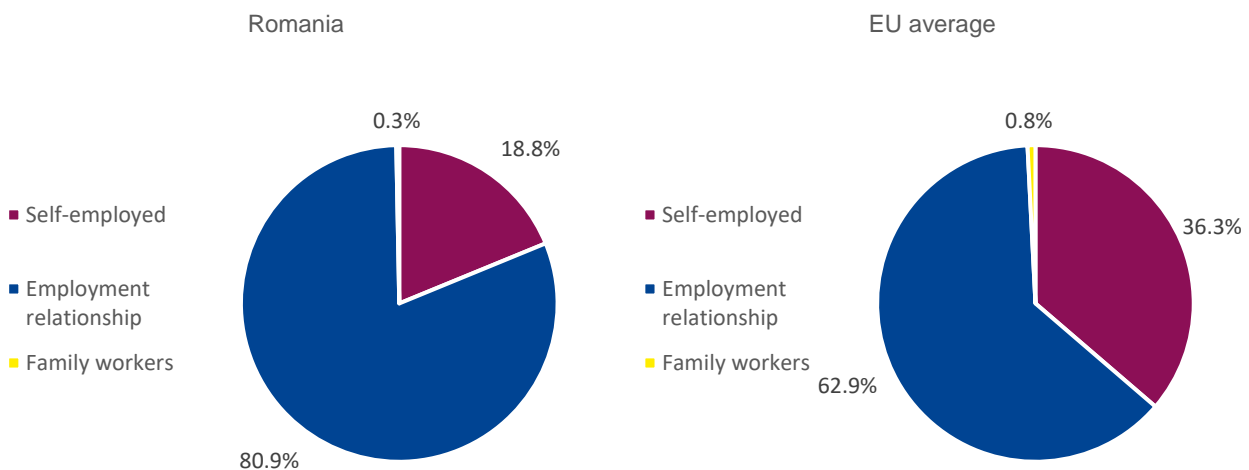
**Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, in Romania, EU-27 average, 2019**



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 Romania in 2019 using the LIM estimates (see Figure 4),<sup>11</sup> the proportion of undeclared labour input that is dependent waged employment is 80.9 % (62.9 % in the EU-27), 18.8 % 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 0.3 % (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.

**Figure 4: Structure of the undeclared labour market in the private sector, Romania and EU-27, 2019**



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

<sup>11</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Retrieved on 30 November 2022.



Little data is available on the distribution of undeclared work by sector or by the size of the company. Using a survey on entrepreneurs conducted in 2016, a previous study<sup>12</sup> concluded that the size of the Romanian shadow economy is higher in the following sectors: wholesale (37.4 %), services (34.6 %) and construction (34 %). The same study concluded that the shadow economy is not limited to the small companies and only a small tendency of higher participation of small companies in the shadow economy exists. Focusing on undeclared work only and using the data of the 2019 Eurobarometer survey on undeclared work, the finding is that undeclared work is more prevalent in construction, agriculture, transport and personal services (childcare/ elderly/ cleaning) and in micro-organisations than other types of companies. However, these findings need to be carefully interpreted considering that they rely on self-reporting participation in undeclared work and are based on a very small number of respondents as only 2 % of them admitted undertaking undeclared work in Romania, as Figure 1 displays.

The main motivators for shadow economy and consequently for undeclared work, from the point of view of entrepreneurs (i.e., employers) are found to be the taxes and social contributions which are perceived as being too high, bribery and a relatively high level of corruption, a low tax morale, the lack of trust in public officials, the reduced support for the entrepreneurs and a poor legislation and high uncertainty in terms of regulations<sup>13</sup>. Turning to workers, previous studies underline the link between participation in undeclared work, tax morale and social norm<sup>14, 15</sup>. As such, undeclared work is more prevalent if the citizens have a low tax morale (e.g., they find it acceptable to participate in various tax non-compliant behaviours) or perceive that participation in undeclared work represents the norm in their society (i.e., perceive that a high share of population engage in various forms of undeclared work and/ or personally know other persons engaging in undeclared work).

## 2.0 Institutional framework

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

Table 1. Overview of key institutional features in Romania 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

<sup>12</sup> Putnins, T.J. Sauka, A. and Davidescu, A.A. (2019), Shadow Economy Index for Moldova and Romania, in Ratten, V. et al. (Eds.), Subsistence Entrepreneurship. The Interplay of Collaborative Innovation, Sustainability and Social Goals, Cham: Springer Nature Switzerland.

<sup>13</sup> Popescu, G.H.; Davidescu, A.A.M.; Huidumac, C. (2018) Researching the Main Causes of the Romanian Shadow Economy at the Micro and Macro Levels: Implications for Sustainable Development. Sustainability **2018**, 10, 3518. Available at: <https://doi.org/10.3390/su10103518>

<sup>14</sup> Ianole-Călin, R., Horodnic, I.A. and Ploeanu, A-P, (2022) Intrinsic versus Extrinsic Drivers: An Investigation into Young People's Motives to Engage in Under-Declared Employment and Undeclared Work, Eastern European Economics, 60:6, 559-577, Available at: <https://doi.org/10.1080/00128775.2022.2075393>

<sup>15</sup> Horodnic, I.A., Williams, C. C., Ianole-Călin, R and Horodnic A.V. (2022) Exploring the illegal practice of under-reporting wages in the construction industry: some lessons from Romania, Applied Economics, Available at: <https://doi.org/10.1080/00036846.2022.2107990>





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>16</sup>

In Romania, the fight against undeclared work is fragmented across different ministries, departments and agencies. There is no holistic approach for tackling undeclared work as there is no high-level coordinating body in the country or a national strategy for tackling undeclared work. The main institution tackling undeclared work is the Labour Inspectorate (LI)<sup>17</sup>. For reporting cases of undeclared work, there is a tool for submitting complaints to the Labour Inspectorate<sup>18</sup>. Similarly, the Labour Inspectorate has a dedicated section on their webpage to inform the workers on their rights and obligations.<sup>19</sup>

The Labour Inspectorate specifically tackles cases of undeclared work in its various forms. For cases where tax evasion is implied the National Agency for Fiscal Administration (ANAF)<sup>20</sup> under the Ministry of Finances is also involved. For cases where the recourse to undeclared work is accompanied by fraud regarding social benefits, unemployment benefits or the improper use of the various subsidies provided to employers as active employment measures, the National Agency for Payments and Social Inspection (ANPIS)<sup>21</sup> or National Agency for Employment (ANOFM)<sup>22</sup> are also involved (together with the Labour Inspectorate these organisations are subordinated to the Ministry of Labour and Social Solidarity). The support of National Police<sup>23</sup> or the General Inspectorate for Immigration (IGI)<sup>24</sup> under the Ministry of Internal Affairs are involved when and where is deemed necessary.

All the organisations with which Labour Inspection collaborate for tackling undeclared work specified above are national.

- ▶ **The Labour Inspection under the Ministry of Labour and Social Solidarity**<sup>25</sup> has the responsibility to exercise control in the field of labour relations, occupational health and safety and market surveillance (according with the Law no. 108/1999, republished last as of 2012). In terms of powers in administrative proceedings, the Labour Inspectorate has the following inspection powers: the possibility of carrying out inspections not based on a specific suspicion; the right to enter business premises and properties in the context of inspections (also without prior notice); the power to inspect carried documents and the possibility to inspect business documents. The agency has under subordination a territorial Labour Inspectorate in each of the 41 counties and in Bucharest with departments dedicated to identify and tackle undeclared work (Units for Enforcement of Labour Relation).
- ▶ **The National Agency for Fiscal Administration (ANAF)** has a territorial organisation, with regional divisions (each having subordinated units). One structure is located in the capital Bucharest (with 11 subordinated units) and 7 regional divisions are located across the country, as follows: Iași (with 29 subordinated units), Galați (with 25 subordinated units), Ploiești (with 34 subordinated units), Craiova (with 26 subordinated units), Timișoara (with 26 subordinated units), Cluj – Napoca (with 26 subordinated units)

<sup>16</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>17</sup> <https://www.inspectiamuncii.ro/acasa>, contact: [comunicare@inspectiamuncii.ro](mailto:comunicare@inspectiamuncii.ro), accessed 28 November 2022

<sup>18</sup> <https://www.inspectiamuncii.ro/petitii-si-sesizari>, accessed 28 November 2022

<sup>19</sup> <https://www.inspectiamuncii.ro/stop-muncii-la-negru>, accessed 28 November 2022

<sup>20</sup> [https://www.anaf.ro/anaf/internet/ANAF/acasa/lut/p/a1/hc6xDolwEAbgZ2Ho2jtRCHHDhUocxEXoYkpSCgZbUiq8vtU4OCjedn--y3\\_AoQSuxdQp4TqjRf\\_ceXxhKxazMAIzZAViEe32pyq7ImYbDyoP8Mek-O\\_-DHRYYPwGCxU5cNWb-vVulep6nSjgVjbSSkvv1setc8O4JUhwncmqGionQS\\_-daMDsoPBsOtxGvUT4c0CB5h5prT/dl5/d5/L2dBISEvZ0FBIS9nQSEh/](https://www.anaf.ro/anaf/internet/ANAF/acasa/lut/p/a1/hc6xDolwEAbgZ2Ho2jtRCHHDhUocxEXoYkpSCgZbUiq8vtU4OCjedn--y3_AoQSuxdQp4TqjRf_ceXxhKxazMAIzZAViEe32pyq7ImYbDyoP8Mek-O_-DHRYYPwGCxU5cNWb-vVulep6nSjgVjbSSkvv1setc8O4JUhwncmqGionQS_-daMDsoPBsOtxGvUT4c0CB5h5prT/dl5/d5/L2dBISEvZ0FBIS9nQSEh/), accessed 28 November 2022

<sup>21</sup> <https://www.mmanpis.ro/>, accessed 28 November 2022

<sup>22</sup> [www.anofm.ro](http://www.anofm.ro), accessed 28 November 2022

<sup>23</sup> <https://www.politiaromana.ro/>, accessed 28 November 2022

<sup>24</sup> <https://igi.mai.gov.ro/>, accessed 28 November 2022

<sup>25</sup> Prima Pagină/Home page (mmuncii.ro), contact: [relatiicupublicul@mmuncii.gov.ro](mailto:relatiicupublicul@mmuncii.gov.ro), accessed 28 November 2022.



and Braşov (with 33 subordinated units). In addition, ANAF has a General Directorate for the Administration of Large Taxpayers. It is subordinated to the Ministry of Finances. Within its broader remit fall not only the collection of all state budget taxes and social contributions, but also combating fiscal and contribution fraud.

- ▶ **The National Agency for Payments and Social Inspection (ANPIS)** establishes, grants and pays social assistance benefits, manages the finances intended to support social services and ensures the evaluation, monitoring and control of compliance with specific legislation in the field of social assistance. It is subordinated to the Ministry of Labour and Social Solidarity and has a territorial agency in each of the 41 counties and in Bucharest.
- ▶ **The National Agency for Employment (ANOFM)** applies the policies and strategies on employment and professional training for those looking for finding a job, elaborated by the Ministry of Labour and Social Solidarity. It is composed from a territorial agency in each of the 41 counties and in Bucharest.
- ▶ **The National Police and the General Inspectorate for Immigration (IGI)** operate under the authority of the Ministry of Internal Affairs.
- ▶ **The General Inspectorate for Immigration** is also a national organization subordinated to the Ministry of Interior.

In addition to the main government institutions, social partner organisations are involved in tackling undeclared work, mainly through negotiating collective agreements which contain instruments to tackle undeclared work and through participating in working groups with national authorities. Their key approaches are shown below.

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

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	No
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	No
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	No
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)	No
Taking part in consultations and working groups	Yes
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	No
Establishing relevant contacts through their networks of members	Yes



Serving as access points to corporate databases	No
Conduct workplace inspections	No

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

Within the Labour Inspectorate, discussion is taking place for identifying the social partners with whom the Labour Inspectorate wants to develop relationships on the issue of tackling undeclared work and for specifying the relationships sought between these social partners and the Labour Inspectorate. Nevertheless, currently, a tripartite agreement is in place between the Labour Inspectorate and main trade unions and employers` associations.

## 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
Labour Inspectorate	Law no. 108/1999 - on setting up the Labour Inspectorate. Labour Code, Article 15.1 and 15.2 – definition of undeclared work and under-declared employment/ work.
National Agency for Fiscal Administration	Government Ordinance no. 86/2003 – on setting up the National Agency for Fiscal Administration. Government Ordinance no. 10/2015 regarding the organisation of Receipts Lottery. Fiscal Code, Article 7– defining dependent and independent activity. Fiscal Code, Article 146 – defining the taxes due for part-time employment contracts.

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

### 2.2.2 Cooperation between authorities in Romania

The Labour Inspectorate (the main institution with authority to tackle undeclared work) cooperates, on a national and international level, on the basis of protocols, agreements and memoranda, with similar institutions, with inspections from other fields, public or private institutions, with social partners and with any other lawful organisations.

In the control activity, the Labour Inspectorate collaborates with the National Agency for Fiscal Administration - Anti-Fraud General Directorate, the General Police Inspectorate, the Romanian Gendarmerie, the General Inspectorate for Immigration, the State Construction Inspectorate, the National Authority for Consumer Protection, the Romanian Road Authority, the National Authority of Customs, the Directorate of Public Health, the State Sanitary Inspection and the National Environmental Guard. Depending on the importance and specificity of the activities carried out in each county, the territorial labour inspectorates concluded protocols with different public



institutions with control attributions, with employer`s and trade union organizations<sup>26</sup>. Examples of cooperation protocols are represented by the joint controls of the Labour Inspectorate with the National Agency for Fiscal Administration for preventing and combating tax evasion in the field of storage and commercialization of cereals and bakery products (in 2016) and the 'CRONOS' Operation for preventing tax fraud associated with under-reported and/or undeclared work (conducted last time in 2022). With the General Inspectorate for Immigration, the Labour Inspection shares a yearly common action plan called 'Cooperation Operative Plan for detecting illegal foreign workers and combating undeclared work of foreigners in year X'.

Within the Labour Inspectorate a Tripartite Advisory Council functions and its activity is carried out in accordance with the provisions of art. 3 paragraphs 5), 6) and 7) from the Order of the Ministry of Labour and Social Justice no. 1095/22.02.2018 regarding the approval of the Regulation on the organization and operation of the Labour Inspection's own apparatus and with the Decision of the State Inspector General no. 260/10.02.2020. Representative social partners at the national level include: the National Trade Union Confederation 'Cartel Alfa', the National Trade Union Bloc (BNS), the National Confederation of Free Trade Unions in Romania (FRAȚIA, CNSLR FRAȚIA), the Confederation of Democratic Trade Unions in Romania (CSDR), the National Trade Union Confederation " Meridian", the General Union of Industrialists from Romania (UGIR), the Romanian National Employers' Association, the Romanian Employers' Confederation of Industry, Agriculture, Construction and Services, CONCORDIA Employers' Confederation, the National Council of Small and Medium-sized Private Enterprises from Romania<sup>27</sup>.

The Labour Inspectorate operates and maintains REVISAL, the national electronic register of the employees, where all employers are obliged by law to input data on the labour contracts concluded, as well as all of the changes occurring. There is limited access to data from other enforcement authorities, the conditions and the procedures for exchange of data with other national authorities being based on collaboration protocols. Examples of institutions with which the Labour Inspectorate has in place such protocols include: National Agency for Employment (ANOFM), The National House of Public Pension (CNPP), The National Agency for Payments and Social Inspection (ANPIS), National Institute of Statistics (INS), The National Agency for Fiscal Administration (ANAF), Ministry of Investments and European Projects (MIPE), the General Inspectorate for Immigration (IGI), State Inspectorate for Road Transport Control (ISCTR) and Ministry of Education (ME)<sup>28</sup>. However, the Labour Inspectorate can only directly analyse their own databases<sup>29</sup>.

In addition to the control activities and exchange of data, the Labour Inspectorate cooperates in applying preventative measures with other national organisations. Most of the campaigns directed by the Labour Inspectorate for the targeted prevention and tackling of undeclared work are carried out in cooperation with the other public institutions already mentioned using both the general inter-institutional cooperation protocols as well as ad-hoc cooperation arrangements for each and every action. Moreover, the Labour Inspectorate has cooperation protocols with other national organisations (e.g., NGOs). Such an example is the cooperation with InfoCons<sup>30</sup> (an NGO for consumer protection) aimed at mutual support in promoting campaigns of public interest carried out by each of the parties. Two information campaigns carried out by the Labour Inspectorate in 2021 have been promoted on InfoCons website, namely: 'Work legal! Know your rights!' and 'Your future starts today. You deserve to have your work recognized'.

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<sup>26</sup> Labour Inspection, (2021), Activity Report for 2021 according to Law no. 544/2001, The Ministry of Labour and Social Solidarity. (In Romanian). Available at: <https://www.inspectiamuncii.ro/raport-anual-al-activitatii-inspectiei-muncii>

<sup>27</sup> Labour Inspection, (2021), Activity Report for 2021 according to Law no. 544/2001, The Ministry of Labour and Social Solidarity. (In Romanian). Available at: <https://www.inspectiamuncii.ro/raport-anual-al-activitatii-inspectiei-muncii>

<sup>28</sup> Labour Inspection, (2021), Activity Report for 2021 according to Law no. 544/2001, The Ministry of Labour and Social Solidarity. (In Romanian). Available at: <https://www.inspectiamuncii.ro/raport-anual-al-activitatii-inspectiei-muncii>

<sup>29</sup> 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>30</sup> See <https://infocons.ro/>, accessed 28 November 2022



However, despite joined-up operations with other national organisations being a clearly defined strategic objective of the Labour Inspectorate, there are no targets for the proportion of all operations which are joint or concerted operations with other national organisations.<sup>31</sup>

### 2.2.3 Cooperation with other Member States

Romania does not have a specific legal framework for cross-border joint inspections<sup>32</sup>. In Romania, a visiting inspector from another Member State will have limited competence - corresponding to an observer role. The admissibility of the evidence gathered during an inspection conducted in another Member State depends on the decision of the court. The evidence from other Member State in domestic administrative proceedings in Romania can be used if it is provided by IMI system (Internal Market Information System).

Cross-border cooperation is a clearly defined strategic objective of the Labour Inspectorate. However, establishing targets for cross-border joint or concerted operations is only at the discussion stage.<sup>33</sup> In order to implement the provisions of Law no. 16/2017 (on posting workers for the provision of transnational services), the Labour Inspectorate is the public authority with liaison office attributions, which carries out the exchange of information with the labour inspections or similar authorities of the Member States of the EU or the European Economic Area. To this end, the Labour Inspectorate is the authority which uses the IMI system. The Labour Inspectorate has concluded protocols or memoranda of collaboration with the labour inspections from the following countries: Bulgaria, Greece, Hungary, Portugal, Republic of Moldova and Spain.<sup>34</sup>

Romania also signed 2020 Agreement with Italy, which 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>35</sup>

In addition, at sectoral level, the European [project called 'Tackling Undeclared Work in the Construction Sector' \(TUWIC\)](#) has brought together employers' federations, trade unions and enforcement authorities in the construction industry in seven countries: Austria, Belgium, Bulgaria, France, Italy, Romania and Spain. In each country, trade unions, employers' federations and enforcement authorities in the construction sector worked together to develop a range of policy initiatives across the full spectrum of possible measures to tackle undeclared work in the sector. This project finalised with a joint statement by the European social partners in 2020, with concrete recommendations for tackling undeclared work and social fraud in the construction sector.<sup>36</sup>

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<sup>31</sup> 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>32</sup> ELA (2020) Guidelines for concerted and joint inspections, Annex 4. [https://www.ela.europa.eu/sites/default/files/2021-02/Item01\\_Guidelines-for-concerted-and-joint-inspections.pdf](https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf)

<sup>33</sup> 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>34</sup> Labour Inspection, (2021), Activity Report for 2021 according to Law no. 544/2001, The Ministry of Labour and Social Solidarity. (In Romanian). Available at: <https://www.inspectiamuncii.ro/raport-anual-al-activitatii-inspectiei-muncii>

<sup>35</sup> Empower Project. [ITM - Teleorman \(inspectiamuncii.ro\)](#), accessed 10 December 2022.

<sup>36</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.





## 3.0 Policy focus and measures

### 3.1 Policy approach

Romania applies a wide-reaching policy approach for tackling undeclared work and tax and contribution fraud. In the past years, progress have been made in terms of legal framework for tackling undeclared work. For example, in 2017 a definition of undeclared work has been introduced for the first time through the Emergency Governmental Ordinance no. 53/2017, amending Law no. 53/2003 (Labour Code). The definition has been further refined and extended and in 2021 through the Emergency Governmental Ordinance no. 117/2021 underdeclared work has been defined. Starting in July 2020, in accordance to the Order of the Minister of Labour and Social Protection no. 1140/2020 (for meeting the requirements of the Law no. 52/2011), the obligation to keep records of the daily workers in the electronic register of daily workers has been introduced, ensuring a better control of this type of employees. Indeed, the Labour Inspectorate, the main institution tackling undeclared work in Romania, decided to implement the strategic objective of transforming undeclared work into declared work and has targets/KPIs related to transforming undeclared work into declared work.<sup>37</sup> On the other hand, the Fiscal Code has been amended and included criteria for defining the independent activities (Article 3), enabling the identification of bogus self-employment cases. Also, the Government Ordinance no.16/ 2022 on amending the Fiscal Code, established a new level of taxes and contribution due for part-time workers (i.e., at the level of the minimum wage at country level for a full-time contract), which is expected to discourage under-reported employment. There are categories exempted, namely: students (aged up to 26 years old), apprentices (aged up to 18 years old), disabled people and other categories of people with special statue recognised by law, retired people and those having multiple working contacts which, together, sum up an income at least equal to the equivalent of a minimum wage full-time contract. However, there is no holistic approach for tackling undeclared work as there is no high-level coordinating body in the country or a national strategy for tackling undeclared work. Yet, common cross-government strategic objectives and KPIs/targets for tackling undeclared work exist.

### 3.2 Main policy measures

The 2022 holistic approaches study<sup>38</sup> indicates that four types of measures are commonly used in Romania 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.

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

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<sup>37</sup> 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>38</sup> Williams, C.C and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.



### 3.3 Good practices<sup>39</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 Romania:

- ▶ [Bilateral memoranda of understanding](#) (2021). Four bilateral Memoranda of Understanding (MoUs) between the Dutch Ministry of Social Affairs and Employment and equivalent ministries in the Czech Republic, Portugal, Romania and Slovakia aim to improve and intensify cooperation to address undeclared work.
- ▶ [National campaign 'Information at home! Safety in the world'](#) (2021). 'Information at home! Safety in the world' is a two-stage awareness-raising campaign, aimed at young Romanian people and adults, to inform about the potential risks they are exposed to when pursuing work and education opportunities abroad. This campaign aims to reduce cases of undeclared work, exploitation and trafficking.
- ▶ [Holiday voucher scheme](#) (2021). Holiday vouchers have been available in Romania since 2009 to tackle the high level of undeclared work in tourism, by steering citizens away from purchasing undeclared goods and services. In 2015, the holiday voucher scheme, initially only available to private sector employees, has been extended also to public sector employees.
- ▶ [REVISAL – General record of employees](#) (2019). REVISAL is a digital register of employees that provides information about all individual employee work contracts. It can also provide information to foreign authorities on Romanian workers who are posted abroad. The register can help identify the existence and duration of employment relationships.
- ▶ [Joint Trade Union Cooperation Office for truck drivers](#) (2018). The Joint Trade Union Cooperation Office is a collaborative measure between trade unions in Belgium, Denmark, Romania and Sweden which aims to tackle the issues of social dumping and modern slavery in road transportation by providing support for CEE drivers who work abroad.

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

### 3.4 Challenges and barriers

While the share of the respondents who report undertaking undeclared work in Romania is half as compared to the EU-27 average, under-declared work is nearly twice the EU-27 average (Figure 1 above) and the estimated size of undeclared work as a percentage of GVA based on the Labour Input Method (LIM) is also nearly twice the EU average (Figure 4). Challenges to tackling this include a lack of a key coordinating institutional body or a national strategy to tackle undeclared work. This creates barriers to developing a coordinated approach at national level and also across borders, especially considering that currently, there is no specific legal framework for cross-border joint inspections. While a wide range of deterrence policy measures are used, a narrower range of preventative measures exist to reduce the acceptability of undeclared work, to modernise the formal institutions and to enhance trust in the government. Implementing such policies is required considering that previous studies concluded that bribery and a relatively high perceived level of corruption, a low tax morale, the lack of trust in public officials and the perception that participation in undeclared work represents the norm in Romanian society, are the key motivators for participating in undeclared work. Indeed, as Table 4 displays, in Romania, the level of tax morale and vertical trust are lower than on average in the EU-27.

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<sup>39</sup> [Virtual library | European Labour Authority \(europa.eu\)](#)



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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Romania	7.92	27%	38%	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 Romania 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')	Yes
Previous non-compliance excludes firms from bidding for public procurement contracts	No
'Naming and shaming' lists	No
<b>RISK OF DETECTION</b>	
Workplace inspections	Yes
Online/desk-based inspections	Yes
Joint inspections with other national inspectorates	Yes
Announced inspections	Yes
Cross-border inspections	Yes
Registration of workers prior to first day at work	Yes
Data matching and sharing to identify risky businesses	No
Use data mining to determine risky businesses for inspection	Yes
Coordination of data mining and sharing across government departments	No
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g., telephone hotlines) <sup>40</sup>	Yes
Certification of business, certifying payments of social contributions and taxes	No
Notification letters	Yes
Mandatory ID in the workplace	Yes

<sup>40</sup> [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
<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	Yes
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'Formalisation' advice to start-ups	Yes
'Formalisation' support services to existing businesses	Yes
Targeted VAT reductions	No
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	Yes
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	No
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
<b>Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)</b>	
Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	No
Targeted indirect taxes (e.g., VAT reductions)	No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	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	No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	No
Normative appeals to businesses to operate on a declared basis	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 Romania. 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**

<b>ROMANIA</b>				
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))	-0.37	-0.19	<span style="color: green;">■</span>	-
<b>2. Formal institutions acting in a corrupt manner</b>				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	44	44	<span style="color: orange;">■</span>	-
Control of corruption (-2.5 to 2.5 (strong performance))	-0.31	-0.21	<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)	6 150	11 560	<span style="color: green;">■</span>	31 300
Human Development Index (HDI) (0-1 (highest development))	0.809	0.832	<span style="color: green;">■</span>	-
Social Progress Index (SPI) (0-100 (high)) **	73.64	75.80	<span style="color: green;">■</span>	-
Self-employment (% of total employment)	18.4	15.2	<span style="color: green;">■</span>	13.4
<b>2. State intervention</b>				
Burden of government regulation (1-7 (best))	3.0	3.0	<span style="color: orange;">■</span>	-
Business flexibility index (0-10 (high))	6.75	7.52	<span style="color: green;">■</span>	-
Expense of government (% of GDP)	34.4	33.8	<span style="color: red;">■</span>	36.6
Research & Development expenditure (% of GDP)	0.44	0.48	<span style="color: green;">■</span>	2.23
Tax revenue (% of GDP)	15.3	14.6	<span style="color: red;">■</span>	19.7
Social contributions (% of revenue)	33.8	37.9	<span style="color: green;">■</span>	33.0
Impact of social transfers on poverty reduction (%)	23.00	15.30	<span style="color: red;">■</span>	32.38
Labour market policy (LMP) expenditure (% of GDP)	0.43	0.07	<span style="color: red;">■</span>	1.65
Unemployment rate (% of active population)	8.4	4.9	<span style="color: green;">■</span>	6.8
People at risk of poverty/social exclusion (% of total population)	43.0	31.2	<span style="color: green;">■</span>	20.9
Severe material deprivation rate (% of total population)	32.1	14.5	<span style="color: green;">■</span>	5.5
Inequality of income distribution (income quintile share ratio)	6.53	7.08	<span style="color: red;">■</span>	4.99
Gini coefficient (0-100 (perfect inequality))	34.5	34.8	<span style="color: red;">■</span>	30.2
Labour productivity (% change on previous period)	-1.9	3.7	<span style="color: green;">■</span>	0.7
<b>III. FORMAL INSTITUTIONAL POWERLESSNESS</b>				
Reliability of police services (1-7 (best))	4.2	5.0	<span style="color: green;">■</span>	-
Judicial independence (1-7 (best))	3.5	4.0	<span style="color: green;">■</span>	-
Rule of law (-2.5 to 2.5 (strong performance))	0.05	0.44	<span style="color: green;">■</span>	-
Regulatory quality (-2.5 to 2.5 (strong performance))	0.62	0.46	<span style="color: red;">■</span>	-
Voice and accountability (-2.5 to 2.5 (strong performance))	0.46	0.52	<span style="color: green;">■</span>	-
Trust in Government (% tend to trust)	17	30	<span style="color: green;">■</span>	35
Trust in Parliament (% tend to trust)	17	31	<span style="color: green;">■</span>	34
<b>IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY</b>				
Democracy Index (0-10 (full democracy)) ***	6.60	6.49	<span style="color: red;">■</span>	-
Political stability (-2.5 to 2.5 (strong performance))	0.36	0.56	<span style="color: green;">■</span>	-
<b>B. INFORMAL INSTITUTIONS</b>				
Social capital (0-100 (high))	39.1	46.4	<span style="color: green;">■</span>	-
Tax compliance (0-10 (high))	7.51	8.17	<span style="color: green;">■</span>	-
	Year:	2013	2019	



*Acceptability of undeclared work (% total 'unacceptable')*

Firm hires worker on undeclared basis	80	70	■	82
Undeclared work by firm for firm	81	71	■	85
Undeclared work by individual for private household	64	61	■	67
Undeclared work by firm for private household	80	68	■	82
Someone partially or completely conceals their income	79	68	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	20	27	■	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, A.I. (2020). [Horizon scanning: early warning signals of future trends in undeclared work](#), European Platform tackling undeclared work. Extraction date: 30 October 2022.