



Factsheet on undeclared work – SLOVENIA

March 2023

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



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

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1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

The basic regulation on the prevention of undeclared work and employment is the 'Prevention of Undeclared Work and Employment Act' (ZPDZC-1)² which entered into force on 18 August 2014 and differentiates between undeclared work and undeclared employment. Both forms are prohibited in Slovenia.

Undeclared work refers to the situation in which an individual, a domestic or foreign legal entity, or a sole proprietor operates within the Republic of Slovenia without proper registration, defined scope according to their official documents, reporting, or possession of the necessary legal documentation to fulfil the required conditions. An individual who engages in profit-making activities and operates outside the framework of dependent employment, civil contractual arrangements, or any recognised legal employment must appropriately register their activity.

When it comes to undeclared employment, it involves a dependent relationship between the employer and the individual worker. The fundamental principle of labour law is that there must be a legitimate foundation for engaging in employment, ensuring that the individual is authorised to work for the employer. The most typical arrangements include an employment relationship, a civil law contract, temporary and occasional student employment, or temporary and occasional work performed by retirees.

The following provides an explanation of the concepts of a worker and an employer, as defined by the ZPDZC-1.

A worker is an individual who holds an employment relationship.

An employer can be a legal entity, a natural person, a foreign legal entity, a self-employed individual, or another entity such as a government institution, local community, branch of a foreign corporation, diplomatic and consular representation, or an international organisation. This refers to the entity where work is carried out or facilitated. Additionally, an employer can also be an individual. In the context of undeclared employment, it encompasses situations where an individual, on their own behalf and for their own account, hires another individual for undeclared work. An 'individual' is defined as a domestic or foreign natural person, with the exception of self-employed individuals.

Article 3 of the Act states that the pursuit of activities or work shall be deemed undeclared work when:

- ▶ A legal person or a foreign legal entity that is a legal person pursues an activity not defined in its constituent instrument or has no statutory documents relating to fulfilment of the conditions for performing the activities defined in its constituent instrument;
- ▶ A self-employed person or a foreign legal entity that is a self-employed person pursues an activity not recorded in the register of companies or has no statutory documents relating to fulfilment of the conditions for performing that activity;
- ▶ A legal person, a foreign legal entity or a self-employed person pursues an activity despite a ban on carrying out such activity;

² Republic of Slovenia (2007). Prevention of Undeclared Work and Employment Act (official consolidated text) (ZPDZC-UPB1), [Prevention of Undeclared Work.pdf \(ilo.org\)](#), accessed on 15 December 2022.



- ▶ A foreign legal entity pursues an activity in the Republic of Slovenia and does not have a registered subsidiary there or does not hold a relevant statutory permit;
- ▶ A legal entity established in an EU Member State or the European Economic Area or Swiss Confederation fails to carry out service activities in accordance with the act governing services in the internal market; and
- ▶ An individual who is not registered or notified as provided by this or any other act pursues an activity or work.

Similarly, Article 5 of the Act states that undeclared employment shall be deemed to occur when an employer:

- ▶ Allows an individual to work but fails to conclude an employment contract with him and does not register him for compulsory social insurance schemes or deregisters him from compulsory social insurance schemes during employment;
- ▶ Allows an individual to work but fails to conclude a civil law contract on the basis of which work can be carried out or does not register him for compulsory social insurance schemes;
- ▶ Fails to conclude a contract with a retired person for temporary or occasional work in accordance with the act governing the labour market;
- ▶ Allows a school pupil or student to work in contravention of the regulations governing temporary or occasional work of pupils and students; OR
- ▶ Illegally employs a third-country national.

However, there are several forms of work and activities, which are not defined as undeclared work or employment, such as neighbourly help and humanitarian work. These are further elaborated in Article 7.

In the law, there are also two definitions of activities related to undeclared work, which are also prohibited – facilitation of undeclared work (Article 4) and illicit advertising (Article 6).

All organisations with an interest in undeclared work and undeclared employment within Slovenia follow the same definitions.

1.2 Estimates of undeclared work

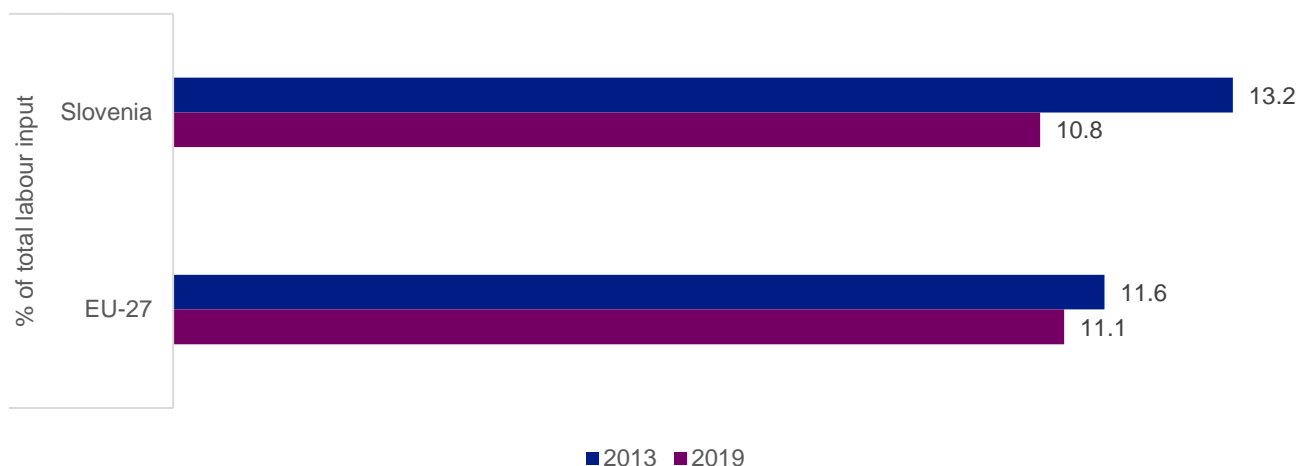
Estimates of undeclared work in this section are based on two available sources providing cross-country comparable data: Eurobarometer surveys and the Labour Input Method (LIM) study. Caution is required because of various limitations of the applied methodologies³.

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.



Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,⁴ in 2019, 10.8 % of total labour input in the private sector in Slovenia is undeclared (13.2 % 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 Slovenia was slightly lower compared to the EU-27 average (see Figure 1 below).

Figure 1. The scale of undeclared in the private sector in Slovenia 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 work, under-declared and bogus self-employment between 2007 and 2019 for Slovenia, 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.

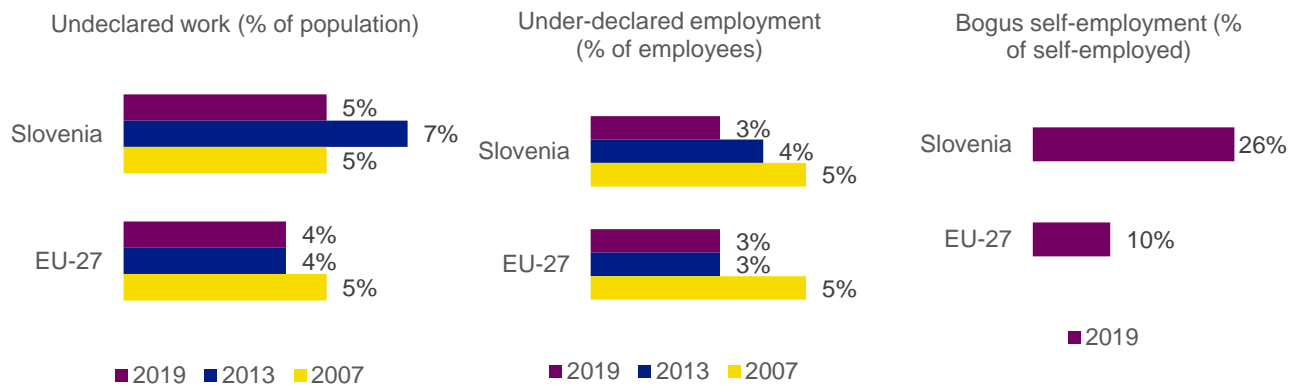
⁴ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017) [An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method](#), European Commission, Brussels.

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

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.



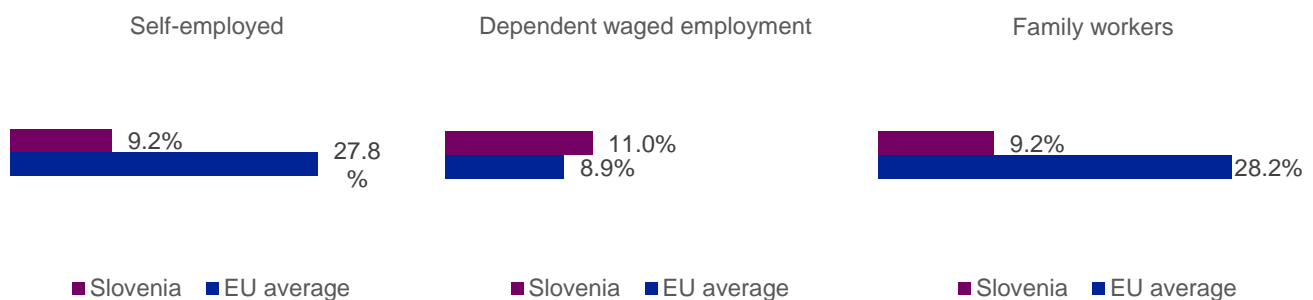
Figure 2. Composition of undeclared work, Slovenia and EU-27, 2007, 2013 and 2019



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 2 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 Slovenia, 11.0 % of waged employment is undeclared measured as a share of total labour input, which is higher than the EU-27 average. The proportion of self-employment that is undeclared is 9.2 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is also 9.2 %⁷, which is both significantly lower than the EU-27 average.

Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, in Slovenia, EU-27 average, 201



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.

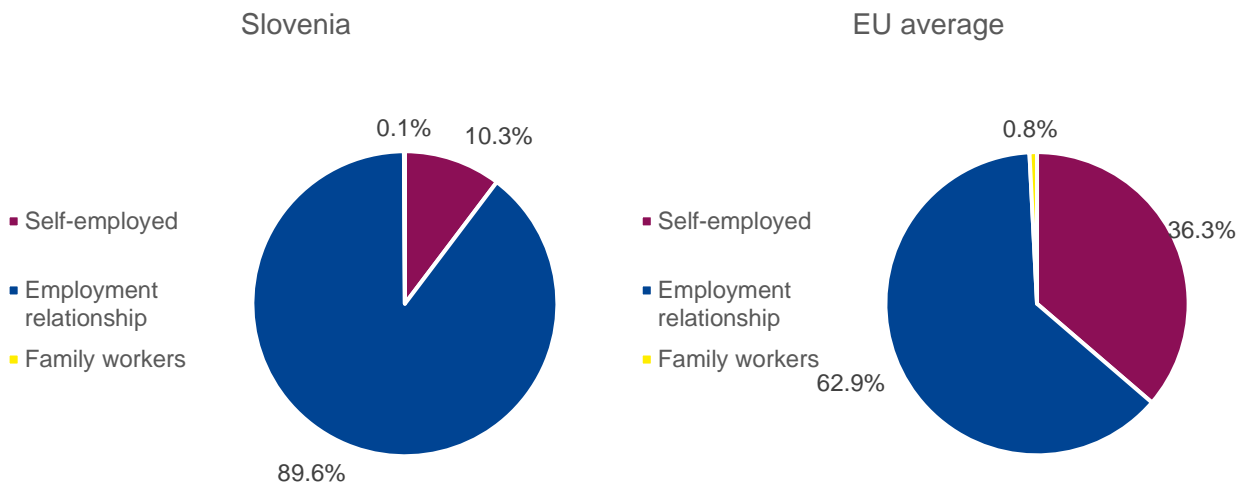
⁶ Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

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



Analysing the structure of the undeclared labour market in Slovenia in 2019 using the LIM estimates,⁸ the proportion of undeclared labour input that is waged employment is 89.6 % (62.9 % in the EU-27), 10.3 % 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 0.1 % (0.8 % in the EU-27) as indicated in Figure 4 below. Therefore, compared with the EU-27, 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, Slovenia and EU-27, 2019



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

The most frequent forms of undeclared work are:

- ▶ When employers provide work to individuals with whom no employment or civil-law contract has been concluded;
- ▶ Employers who have failed to enter employees into relevant social insurance, and where employers de-register employees from social insurance while they still work for them; and
- ▶ Violations in the employment of foreign persons.

The Financial Administration of the Republic of Slovenia conducted 10,875 inspections regarding undeclared employment in 2022. These inspections also encompassed assessments of the employment status of third-country citizens. Instances of illegal employment among third-country citizens were discovered in the investigations involving 66 employers. The primary sectors where prevalent anomalies related to unauthorised employment of third-country citizens were identified are the construction industry (F), the hospitality industry (I), and the manufacturing industry (C). Most irregularities were found in the employment of this is mirrored in the 2019 special Eurobarometer survey on 'Undeclared work in the European Union', which also found that undeclared work is

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



widespread in the construction (17 % of respondents) and the transport (14 % of respondents) sectors, in addition to personal services such as child or elderly care and cleaning (23 % of respondents).⁹

The reasons to engage in undeclared work in Slovenia are diverse: In a special Eurobarometer on undeclared work from 2019, 41 % respondents (versus 35 % EU-27) said that this is common practice among friends, neighbours and relatives. 21 % (versus 11 % EU-27) considered that “*the State does not do anything for you, so why should you pay taxes*”, and 16 % (versus 14 % EU-27) said that the motivation was the lack of other means of income.¹⁰

2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

Table 1. Overview of key institutional features in Slovenia

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

Source: Platform members

In Slovenia, there are several authorities with responsibilities for identifying, tackling and/or preventing undeclared work.

- The **Commission of the Government of the Republic of Slovenia for detecting and preventing undeclared work and undeclared employment**¹¹: is responsible for defining, coordinating and monitoring the prevention of undeclared work and undeclared employment, pursuant to Article 20 of the Act on the Prevention of Undeclared Work and Employment. It is composed of representatives of the Ministry of Labour, Family, Social Affairs and Equal Opportunities, the Ministry of Finance¹², the Ministry of Justice¹³, the Ministry of

⁹ European Commission (2020). ‘Undeclared work in the European Union’, Special Eurobarometer 498.

¹⁰ European Commission (2020). ‘Undeclared work in the European Union’, Special Eurobarometer 498.

¹¹ Commission of the Government of the Republic of Slovenia for detecting and preventing undeclared work and undeclared employment, [Komisija Vlade Republike Slovenije za preprečevanje dela in zaposlovanja na črno | GOV.SI](https://www.gov.si/en/komisija-vlade-republike-slovenije-za-preprecevanje-dela-in-zaposlovanja-na-arno/), contact: gp.mdds@gov.si, accessed on 15 December 2022.

¹² Ministry of Finance of the Republic of Slovenia, [Ministry of Finance | GOV.SI](https://www.gov.si/en/ministry-of-finance/), contact: gp.mf@gov.si, accessed on 15 December 2022.

¹³ Ministry of Justice of the Republic of Slovenia, [Ministry of Justice | GOV.SI](https://www.gov.si/en/ministry-of-justice/), contact: gp.mp@gov.si, accessed on 15 December 2022.



Economic Development and Technology¹⁴, the Ministry of the Interior¹⁵, representatives of the supervisory authorities under ZPDZC-1, employers' and trade unions' representatives.¹⁶

With the Prevention of Undeclared Work and Employment Act (UL RS, Nos. 32/14, 47/15 [ZZSDT], 43/19 in 121/21 [ZJN-3B]), the main competency for tackling undeclared work was transferred to the Financial Administration of the RS (FURS)¹⁷.

- ▶ The **Financial Administration of the Republic of Slovenia (FURS)**: is responsible for monitoring and detecting offences in the field of undeclared work in relation to legal persons, foreign legal entities, self-employed persons and individuals, employment in undeclared work, facilitation of undeclared work and unauthorised advertising in the part relating to individuals, as well as for conducting and deciding on offence proceedings.

FURS carries out targeted controls on undeclared work and employment in coordinated actions with other inspection services. These focus on areas and activities identified as risky on the basis of public information and own analyses. In its controls of undeclared work and employment, FURS also applies the measure of prohibition to carry out business and sealing of business premises pursuant to Article 37 of the Financial Administration Act (FAA). The prohibition to carry out business is one of the more stringent measures applied by the FURS in cases where it is strictly necessary for the purpose of proving, securing evidence and preventing further infringements. The purpose of the measure is achieved when the taxable person ceases the infringement by correcting the irregularities imposed on them in the decision. Since 2020, FURS has also been using a central and integrated tool to support risk analysis.¹⁸

In terms of preventative measures, FURS strives to provide quality and up-to-date information to taxpayers, professionals and the general public to encourage taxpayers to comply voluntarily with their obligations. It responds to journalists' questions, informs the public through the media about irregularities detected and the consequences of breaches of laws and other regulations, prepares answers to citizens' questions, and participates in various meetings and training organised by the individual sections of the Chamber of Commerce and Industry and other similar associations. FURS also cooperates with other inspectorates, professional associations and the general and interested professional public. In 2020, it participated under the leadership of the Ministry of Labour and Social Affairs in the EU-wide campaign '[Benefits of declared work](#)', which also aimed to raise awareness of the issues and consequences relating to undeclared work.

- ▶ The **Labour Inspectorate of the Republic of Slovenia (IRSD)**¹⁹: is responsible for the supervision of the implementation of laws, other regulations, collective agreements and general documents regulating employment, wages and other receipts from employment, the employment of workers at home and abroad, cooperation of workers in management, strikes and occupational safety, unless otherwise provided by regulations. The main areas of inspections are: Employment relationships, Occupational Safety and Health and

¹⁴ Ministry of Economic Development and Technology of the Republic of Slovenia, [Ministry of Economic Development and Technology | GOV.SI](#), contact: gp.mgrt@gov.si, accessed on 15 December 2022.

¹⁵ Ministry of the Interior of the Republic of Slovenia, [Ministry of the Interior | GOV.SI](#), contact: gp.mgrt@gov.si, accessed on 15 December 2022.

¹⁶ Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia, Directorate for Labour Relations and Labour Rights (2021). Report on the activities and effects of undeclared work prevention and employment, [Porocilo-iz-leta-2021.docx \(live.com\)](#), accessed on 21 December 2022.

¹⁷ Financial Administration of the Republic of Slovenia (Finančna Uprava Republika Slovenija), <https://www.fu.gov.si/Contacts> | [FINANCIAL ADMINISTRATION OF THE REPUBLIC OF SLOVENIA \(gov.si\)](#), accessed on 15 December 2022.

¹⁸ Ministry of Labour, Family, Social Affairs and Equal Opportunities, Directorate for Labour Relations and Labour Rights (2021). Report on the activities and effects of black work prevention and employment, [Porocilo-iz-leta-2021.docx \(live.com\)](#), accessed 15 December 2022.

¹⁹ Labour Inspectorate of Republic of Slovenia, [Labour Inspectorate | GOV.SI](#), contact: gp.irsd@gov.si, accessed on 15 December 2022



Social Protection. As regards undeclared work, IRSD is responsible for monitoring and detecting offences in the field of unauthorised advertising, which covers cases where an employer advertises the need for a worker for a job that is not related to the employer's registered or notified activity, as well as for conducting and deciding on the offence proceedings.²⁰ The IRSD carries out various joint actions with other inspection bodies and, to the extent possible, responds to other invitations for cooperation, not only in the area of prevention of undeclared work and employment, but also in the fields of public awareness raising. Bringing together institutions from different fields of work continues to be one of their core tasks, both in terms of preventive and repressive action.²¹

- ▶ The **Market Inspectorate of the Republic of Slovenia** (TIRS)²²: is responsible for monitoring and detecting offences in the field of undeclared work in relation to legal persons, foreign legal entities, self-employed persons and individuals, facilitating undeclared work in relation to legal persons, foreign legal entities and self-employed persons, and unauthorised advertising in relation to legal persons, foreign legal entities and self-employed persons, as well as for conducting and deciding on the offence proceedings.²³

TIRS conducts checks to verify the adequacy of the registration and specific licenses of controlled businesses. TIRS also pays particular attention to entities carrying out cross-border activities. Joint inspections are organised with other inspectorates whenever necessary, especially in the field of transportation (taxis) and sales at market stalls.

In order to prevent the undeclared work, TIRS intensively checks invoicing on the basis of the Tax Invoice Certification Act (Official Journal of the Republic of Slovenia, No 57/15 and 69/17) and in cooperation with FURS. TIRS also informs the public, about their legal obligations, through publications on the website, as well as through participation in various trade association events.²⁴

- ▶ The **Infrastructure Inspectorate of the Republic of Slovenia** (IRSI)²⁵: is responsible for the supervision of the activities of passenger and goods transport in the road.

Other supervisory authorities are responsible for violations of the provisions of this Act related to the fulfilment of specific conditions for performing activities in the areas of agriculture and the environment, forestry, energy and spatial planning, health, education and sport and the interior.²⁶

The supervisory authorities responsible for monitoring infringements relating to the fulfilment of specific conditions for the exercise of an activity are those responsible for transport, agriculture and the environment, forestry, energy and spatial planning, health, education and sport, and home affairs.

Supervisory authorities other than the supervisory authorities referred to in Article 18(1) and (2) of the ZDZC-1, which, in the course of carrying out inspection tasks on the basis of their own regulations, find infringements of the ZDZC-1, shall verify the factual situation and draw up a report on their findings, which shall be sent to the competent supervisory authority.

²⁰ Ibid.

²¹ Ibid.

²² Market Inspectorate of Republic of Slovenia, [Market Inspectorate | GOV.SI](#), contact: gp.tirs@gov.si, accessed on 15 December 2022.

²³ Ibid.

²⁴ Ibid.

²⁵ Inspectorate of Infrastructure of the Republic of Slovenia, [Inspectorate of Infrastructure | GOV.SI](#), contact: gp.irsii@gov.si, accessed on 15 December 2022.

²⁶ ELA (2022) Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.



Under the law, the supervisory authorities have the power to issue a decision prohibiting the pursuit of an activity or work in the case of an established breach of Article 3 of the ZPDZC-1 and in the case of a breach of the prohibition of employment in the area they supervise.²⁷

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 2. Key authorities and their legal basis to tackle undeclared work

Authority	Legal framework
Financial Administration	Prevention of Undeclared Work and Employment Act
Labour Inspectorate of the Republic of Slovenia	Prevention of Undeclared Work and Employment Act
Market Inspectorate of the Republic of Slovenia	Prevention of Undeclared Work and Employment Act
Infrastructure Inspectorate of the Republic of Slovenia	Prevention of Undeclared Work and Employment Act
Supervisory authorities responsible for supervision in the fields of agriculture and the environment, forestry, energy and spatial planning, health, education and sport, and home affairs	Prevention of Undeclared Work and Employment Act* *supervision of infringements of the provisions of this Act relating to the fulfilment of special conditions for the exercise of activities

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

2.2.2 Cooperation between authorities in Slovenia

The Financial Administration of the Republic of Slovenia (FURS) is responsible for overseeing undeclared employment, undeclared work, and unauthorised advertising by individuals. The Market Inspectorate of the Republic of Slovenia (TIRS) handles the monitoring of undeclared work conducted by legal entities (excluding individuals) and the unauthorised advertising of legal entities (excluding individuals). The Labour Inspectorate of the Republic of Slovenia (IRSD) holds jurisdiction over controlling undeclared employment and unauthorised advertising, where a job or activity is not properly registered.

Since there are also other authorities involved, the Slovenian government appointed a special commission, in which all the involved authorities are cooperating. The tasks of the Commission are as follows:

²⁷ Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia, Directorate for Labour Relations and Labour Rights (2021). Report on the activities and effects of black undeclared work prevention and employment, [Porocilo-iz-leta-2021.docx \(live.com\)](#), accessed on 21 December 2022.



- ▶ Coordinate the work of the supervisory authorities related to the prevention of undeclared work and employment;
- ▶ Propose to the Government of the Republic of Slovenia measures for more efficient prevention and detection of undeclared work and employment;
- ▶ Report on the implementation and effects of this Act to the Economic and Social Council, the Government of the Republic of Slovenia and the Inspection Board of the Republic of Slovenia by the end of June for the previous calendar year;
- ▶ Propose initiatives to amend regulations within the limits of its competence;
- ▶ Identify annually the activities it considers prone to illegal employment of third-country nationals and draft an inspection plan; and
- ▶ Draw up a report on the inspections referred to in the preceding indent carried out in a calendar year and inform the European Commission of their results by the end of June for the previous calendar year.²⁸

If undeclared work and undeclared employment are detected by other authorities that are not specifically stated in the law, these authorities have the obligation, to draw up a report on the findings and submit it to the competent supervisory authority.

In Slovenia, there is also collaboration between labour inspectorates and trade unions. For example, the Association of Free Trade Unions in Slovenia (ZSSS) reported that trade unions have established systems for handling complaints (particularly from migrant workers) and/or for monitoring abusive behaviour of employers in high-risk sectors.²⁹

According to the reports from different authorities involved in the activities of identifying, tackling and/or preventing undeclared work, the mechanisms for cooperation between them is relatively effective.

2.3 Cooperation with other Member States

There is no specific information on cooperation and collaboration with other Member States.

3.0 Policy focus and measures

3.1 Policy approach

The Financial Administration of the Republic of Slovenia is the main authority responsible for the supervision of undeclared work and employment. System supervision over taxpayers is provided on the basis of the annual plan. Criteria on the basis of which audits are performed are defined on the basis of risk analysis, received reports and random selection. Supervision over undeclared work and employment is directed into activities which are detected as risky and into implementation of activities in individual industries where this type of audits has not been performed yet. We would like to emphasize the following activities: accommodation and food service activities,

²⁸ Commission of the Government of the Republic of Slovenia for detecting and preventing undeclared work and undeclared employment, [Komisija Vlade Republike Slovenije za preprečevanje dela in zaposlovanja na črno | GOV.SI](https://www.gov.si/en/sections/department-for-detecting-and-preventing-undeclared-work-and-undeclared-employment/) contact: gp.mddsz@gov.si, accessed on 15 December 2022.

²⁹ European Labour Authority (2020). Guidelines for concerted and joint inspections, [Item01_Guidelines-for-concerted-and-joint-inspections.pdf \(europa.eu\)](https://www.european-labour-authority.eu/en/inspections/item01-guidelines-for-concerted-and-joint-inspections.pdf), accessed on 15 December 2022.



construction, transport of passengers, trade, bakeries, taxi drivers and various service activities. Financial penalties are prescribed for violations. The most severe violations are processed within the criminal procedure.

Within the policy for managing undeclared work and employment the significant emphasis is placed also on preventive activities, with which taxpayers are encouraged to register and legalise performing of work and activities and to raise tax awareness. Also, in cases of violations in connection with undeclared work and employment offenders are encouraged to eliminate them already during supervision, which results in the primary purpose of supervision, i.e., legalisation of employment, performing of work or activities.³⁰

3.2 Main policy measures

The 2022 holistic approaches study³¹ indicates that four types of measures are commonly used in Slovenia 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.

The main policy measures used in Slovenia are preventive measures, the introduction of fiscal cash registers and influence on undeclared work and employment and penalties and sanctions.

Preventive measures

Preventive measures are used to encourage taxpayers to register and legalize the performed work and activities and to raise tax awareness. Joint actions of supervisory authorities have also a preventive effect on prevention of grey economy, which includes also undeclared work and employment. Other preventive measures include also extensive informing via the website and the media. Informing takes place about negative consequences in connection with rights from the obligatory health insurance, compensation for sick leave, deprivation of rights related to the employment relationship, deprivation of severance pay, pay for annual leave and reimbursement for meals during work and commuting. It also covers the fact that at losing jobs there is no entitlement to unemployment benefit, and that the work performed is not included into the period of employment nor pensionable service and earnings.³²

Introduction of fiscal cash registers and influence on undeclared work and employment

³⁰ European Labour Authority, Factsheet on Undeclared Work – Slovenia (2017), <https://www.ela.europa.eu/sites/default/files/2021-10/SI%20UDW%20Factsheet%202017%20-%20Slovenia.pdf>, accessed on 15 December 2022.

³¹ 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

³² Ibid.



In 2016, fiscal cash registers were introduced in Slovenia. On the basis of data on fiscally verified invoices and data about individuals (cashier, operator) who have issued the invoice, cases of undeclared employment may be established.

Introduction of fiscal cash registers has had several positive effects. One of them is evident also on the base of increased entries into the social security insurance, which has resulted in increased payments of social security contributions and personal income tax on income from employment. A part of these entries is a consequence of the fact that the Slovenian Financial Administration supervises also undeclared work and employment with the assistance of data within fiscal tax registers because the invoice shall include the data about the invoice issuer – cashier.³³

Penalties and sanctions

The ZPDZC-1 states fines for undeclared work from EUR 2 000 to EUR 26 000 for legal persons and sole traders and from EUR 1 000 to EUR 7 000 for individuals – moonlighters.

Undeclared employment shall be fined from EUR 5 000 to EUR 26 000 for employers, who are not individuals, when they employ illegally.

An individual who has been enabled by the employer to work without concluding an employment contract, a civil law contract on the basis of which work can be performed, a contract for performing temporary or occasional work in accordance with the law regulating the labour market, or has been enabled to work in contravention of the regulations governing the temporary or occasional work of students, shall be fined from EUR 500 to EUR 2 000.

Additional obligations, which shall be fulfilled in cases of violations established in supervision, are prescribed for employers, who enable work to individuals, with whom they have not concluded an employment contract:

- ▶ They shall conclude full-time open-ended employment contracts with these persons and register them in social insurance. An employer, who is not an individual, shall be fined between EUR 5 000 and EUR 15 600 when they fail to hand over a written employment contract for permanent employment.
- ▶ They shall pay all obligations related to the employment relationship for the period of the whole undeclared employment. If it is not possible to establish the period of employment, it shall be deemed on the basis of law that the person has been in undeclared employment for three months. An employer who is found to have violated the regulations on undeclared employment shall be subject to a fine ranging from EUR 5 000 to EUR 15 000. This penalty is applicable if the employer fails to fulfil all obligations related to the employment relationship for the duration of the undeclared employment within 15 days of discovering the violation.

In cases when the supervisory authorities establish undeclared employment of citizens from third countries, additional sanctions or limitations are prescribed for employers, to whom fines are finally imposed for these offences, as follows:

- ▶ Right to public funds is limited to them, including funds of the European Union, for the period of five years after the offence decision is final (employers with the negative reference); and
- ▶ They shall return public funds, including funds from the European Union, paid in the period of twelve months before preparation of the first record of the supervisory authority until the imposed fine for the offence is final.

³³ Ibid.



Deportation conducted by the Police is envisaged as the secondary sanction for citizens of third countries illegally employed in the Republic of Slovenia, which means that this person is irregularly located on the territory of the Republic of Slovenia.

The ZPDZC-1 defines also joint and several liability for the main contractor and intermediary sub-contractors in cases if employers, who have illegally employed persons, are subcontractors. In these cases, the main contractor and all intermediary subcontractors are jointly and severally liable for possible outstanding liabilities related to the employment relationship for the time of undeclared employment if they have known that employers have illegally employed those persons.

At supervision over undeclared work and employment the measure is also applied for prohibition of performing of activities and sealing the business premises, which is one of the most severe measures, used by the supervisory authority in cases when this is absolutely necessary due to prevention of further violations, failure to comply with prior prohibitions, due to health hazard and also other circumstances.

In cases of the most severe violations the Slovenian Financial Administration shall submit criminal charges due to suspicion of criminal acts of undeclared employment in accordance with Article 199 of the Penal Code (Official Journal of the RS, No. 50/12 – Official consolidated version, 6/16 – corr., 54/15 and 38/16), which is submitted when suspects in conflict with regulations employ two or more workers and they fail to enter them into the appropriate insurance or they employ several foreign persons or persons without citizenship without proper permits for work. Severe penalties are envisaged in cases of, for example, especially exploitative work conditions or exploitation of victims of human trafficking.³⁴

3.3 Good practices³⁵

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 Slovenia:

- ▶ [Certified Cash Registers](#) (2017). A “certified cash register” system is applicable in Slovenia since the 2 January 2016. Under this system all legal and natural persons that perform cash transactions (or cash equivalent transactions) and are obliged to keep books and records must use certified tax registers.¹ The cash registers are connected to the central information system of the financial authority via the internet, so processed invoices are verified and saved in real time, enabling traceability and effective control over invoices, thus helping to reduce the grey economy.

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

3.4 Challenges and barriers

The prevalence of undeclared work and bogus self-employment in Slovenia is higher, while under-declared employment is equal to the EU average (Figure 1 above). In Slovenia undeclared work is defined in the legal framework and there are solid legal bases for the cooperation between authorities. However, challenges may arise from having no national strategy and no common cross-government strategic objectives and KPIs/targets for tackling undeclared work, as well as the absence of systematic collaboration with other Member States.

³⁴ Ibid.

³⁵ [Virtual library | European Labour Authority \(europa.eu\)](#)



In Slovenia, citizens' perceptions of tax morale is equal to the EU-27 average. Horizontal trust is slightly higher, whereas vertical trust as well as the tendency to trust the labour inspectorate is significantly lower than on average in the EU (see Table 3).

Table 3. Level of tax morale, horizontal and vertical trust, Slovenia and the EU

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority ***	Tend to trust labour inspectorate
Slovenia	8.55	42 %	29 %	28 %
EU-27 average	8.55	36 %	49 %	49 %

Source: Williams, C.C. and I.A. Horodnic, (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 proportion 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 Slovenia 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	Yes
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)	No
Use of non-compliance lists ('blacklists')	No
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes
'Naming and shaming' lists	No
RISK OF DETECTION	Yes
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	Yes
Use data mining to determine risky businesses for inspection	Yes
Coordination of data mining and sharing across government departments	Yes
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g. telephone hotlines) ³⁶	No
Certification of business, certifying payments of social contributions and taxes	Yes
Notification letters	Yes
Mandatory ID in the workplace	Yes

³⁶ [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)	Yes
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	Yes
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	No
'Formalisation' support services to existing businesses	No
Targeted VAT reductions	No
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	No
Provide free advice/training on record-keeping	No
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	No
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	No
Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	No
Targeted indirect taxes (e.g., VAT reductions)	No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	No
FOSTERING COMMITMENT TO OPERATE DECLARED	Yes
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	No
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	No
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	No
Normative appeals to businesses to operate on a declared basis	No



Measures to improve the degree to which customers of the enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	No
Measures to improve labour, tax and/or social security law knowledge	Yes
Public information on the work and achievements of the enforcement authorities	Yes

Source: Platform members



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 Slovenia. 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

SLOVENIA				
INDICATOR	2009	Latest available year	Trend: 2009-latest available year	EU-27, latest available year
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))			█	
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean))			█	
Control of corruption (-2.5 to 2.5 (strong performance))			█	
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)			█	
Human Development Index (HDI) (0-1 (highest development))			█	
Social Progress Index (SPI) (0-100 (high))			█	
2. State intervention				
Burden of government regulation (1-7 (best))			█	
Restrictive labour regulations (% of respondents)			█	
Business flexibility index (0-10 (high))			█	
Expense of government (% of GDP)			█	
Research & Development expenditure (% of GDP)			█	
Tax revenue (% of GDP)			█	
Social contributions (% of revenue)			█	
Impact of social transfers on poverty reduction (%)			█	
Labour market policy (LMP) expenditure (% of GDP)			█	
Unemployment rate (% of active population)			█	
People at risk of poverty/social exclusion (% of total population)			█	
Severe material deprivation rate (% of total population)			█	
Inequality of income distribution (income quintile share ratio)			█	
Gini coefficient (0-100 (perfect inequality))			█	
Labour productivity (% change on previous period)			█	
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))			█	
Judicial independence (1-7 (best))			█	
Rule of law (-2.5 to 2.5 (strong performance))			█	
Regulatory quality (-2.5 to 2.5 (strong performance))			█	
Voice and accountability (-2.5 to 2.5 (strong performance))			█	
Trust in Government (% tend to trust)			█	
Trust in Parliament (% tend to trust)			█	
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy))			█	
Political stability (-2.5 to 2.5 (strong performance))			█	
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))			█	



Tax compliance (0-10 (high))	■
Year:	
<i>Acceptability of undeclared work (% total 'unacceptable')</i>	
Firm hires worker on undeclared basis	■
Undeclared work by firm for firm	■
Undeclared work by individual for private household	■
Undeclared work by firm for private household	■
Someone partially or completely conceals their income	■
<i>Personally know people engaged in undeclared work (% 'yes')</i>	■
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.