



Factsheet on undeclared work – Slovakia

March 2023

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



European Platform
tackling undeclared work



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1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

The term 'undeclared work' is not defined in Slovak legislation. The most relevant legal reference is provided by the Act on illegal work and illegal employment (Act No. 82/2005 Coll.)². This defines illegal work as dependent work performed by a natural person for a legal entity or sole proprietor, where (i) there is no employment relationship with a legal entity or a natural person who is an entrepreneur according to a special regulation³, or (ii) the natural person is a national of a country that is not a Member State of the European Union, another Contracting Party of the Agreement on the European Economic Area or the Swiss Confederation, or a stateless person (referred to as a 'national of a third country') and the conditions for this employment according to a special regulation⁴ are not fulfilled.

This law determines illegal employment as employment of a natural person by a legal entity or sole proprietor who makes use of dependent work of (i) a natural person without an employment relationship or a civil servant relationship according to a special regulation⁵; (ii) a natural person with whom a labour-law or civil servant relationship is established but the employer has not complied with his/her obligation to notify the Social Insurance Agency⁶; (iii) a third country national when the conditions for his/her employment under a special regulation are not met⁷. (iv) Illegal employment is also the employment of a third country national who resides in the territory of the Slovak Republic in contravention of a special regulation⁸ and who performs dependent work.

Act No. 125/2006 on Labour Inspection supplements the Act No. 82/2005 on Illegal Work and Employment and regulates labour inspection administration-

A key aspect in defining (and proving) illegal work and illegal employment is the performance of dependent work, which is defined as work carried out in a relation where the employer is superior and the employee is subordinate, and in which the employee carries out work personally for the employer, according to the employer's instructions, in the employer's name, during working time set by the employer (Article 1(2) of the Labour Code). The Labour Code further stipulates that dependent work may be carried out only in an employment relationship or a similar labour law relation and cannot be carried out under a civil or commercial contract. The definition of dependent work has been tightened since 1 January 2013 by reducing the number of defining attributes with the aim of preventing the substitution of labour-law relations with other forms of contractual relations (e.g. work carried out based on a trade licence).

-Public administration authorities involved in the fight against undeclared work follow the same definition of illegal work and illegal employment.

² See https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2005/82/#poznamky_poznamka-4.

³ Act no. 311/2001 Coll. Labour Code, as amended and Act no. 400/2009 Coll. on Civil Service and on amendments to certain acts, as amended.

⁴ § 21 par. 1 of Act no. 5/2004 Coll. on Employment Services and on Amendments to Certain Acts, as amended.

⁵ Act no. 311/2001 Coll. Labour Code, as amended and Act no. 400/2009 Coll. on Civil Service and on amendments to certain acts, as amended.

⁶ § 231 par. 1 (a) b) of Act no. 461/2003 Coll. on Social Insurance, as amended.

⁷ § 21 par. 1 of Act no. 5/2004 Coll. on Employment Services and on Amendments to Certain Acts, as amended.

⁸ Act No. 404/2011 Coll. on the stay of aliens and on the amendment and supplement of certain acts, as amended by Act No. 75/2013 Coll. Act No. 480/2002 Coll. on asylum and on amendments and supplements of certain acts, as amended – this Act contains conditions for legal residence and procedures and conditions for obtaining residence permits for the performance of work.

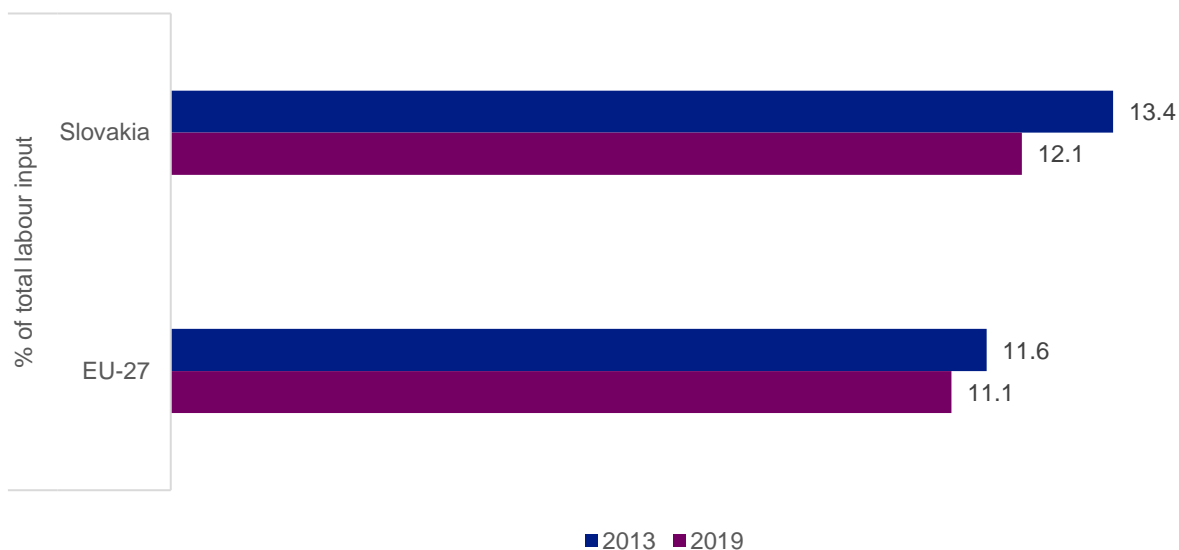


1.2 Estimates of undeclared work

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 methodologies⁹.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,¹⁰ in 2019, 12.1 % of total labour input in the private sector in Slovakia was undeclared (13.4 % 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 Slovakia was somewhat higher compared to the EU-27 average (see Figure 1 below).

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

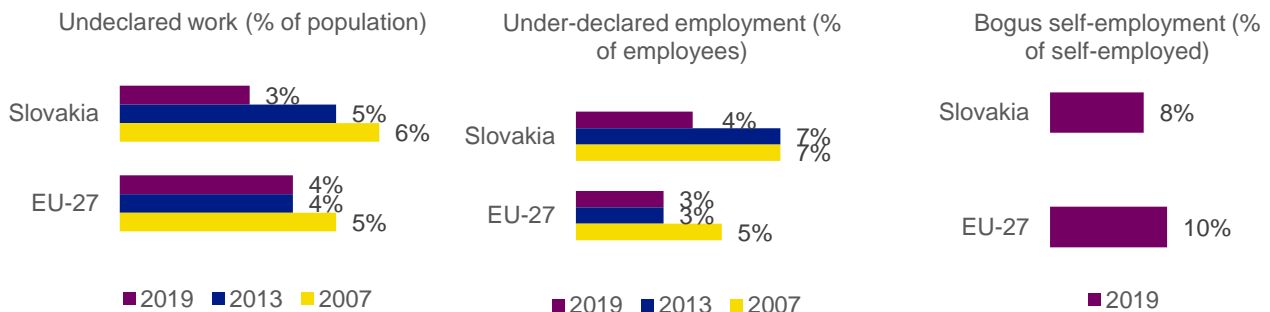
⁹ Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, but tend to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

¹⁰ 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.

characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships¹¹.

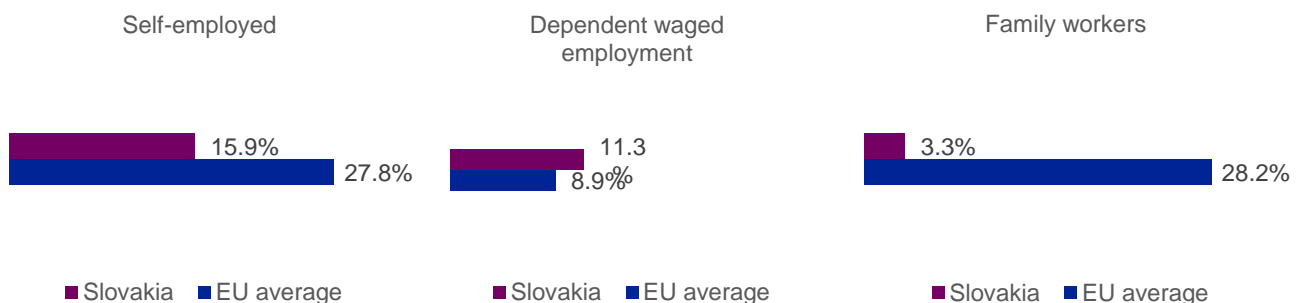
Figure 2. Composition of undeclared work, Slovakia and EU-27, 2007, 2013 and 2019



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) estimates¹², in Slovakia, 11.3 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 15.9 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 3.3 %¹³.

Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, in Slovakia, 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 Slovakia in 2019 using the LIM estimates (see Figure 4),¹⁴ the proportion of undeclared labour input that is waged employment is 77.6 % (62.9 % in the EU-27), 22.4 %

¹¹ 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.

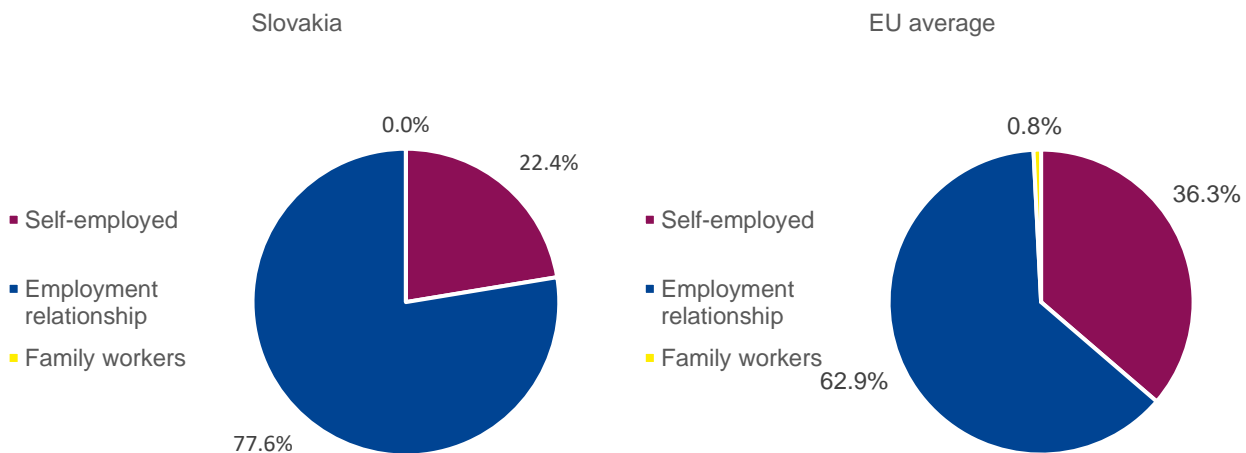
¹² Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

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

¹⁴ Franic, J., Horodnic, I.A. and Williams, C.C. (2022).

of undeclared labour input is self-employment (36.6 % in the EU-27) and the proportion of undeclared labour input that is family work is 0.0 % (0.8 % in the EU-27). 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, Slovakia and EU-27, 2019



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

According to labour inspection statistics, evasion of social security contributions in a formal employment relationship is the most prevalent form of undeclared work in Slovakia, followed by bogus self-employment and/or absence of a labour-law contract. Available national surveys imply that the most significant manifestations of undeclared work include partial cash-in-hand payments received by dependent employees and false (involuntary) self-employment¹⁵.

'Under-declared work' when one component of the salary is paid officially and another part 'cash-in-hand' is also regarded as an unfair practice in Slovakia¹⁶. Another form of undeclared work is the alteration of working time records, in which the employer purposely indicates a smaller range of hours worked by employees.

In 2021, labour inspectorates carried out 16 918 inspections aimed at verifying compliance with the prohibition of illegal work and illegal employment¹⁷. Out of 15 065 legal entities inspected, illegal employment was detected in 665 entities, which represents 4.4 % of the total. Out of 33 985 natural persons inspected, inspection revealed that 1 480 natural persons were illegally employed, and this is also 4.4 % of all inspected persons.

Recent surveys confirm that undeclared work is concentrated mainly in the construction sector, hotels and restaurants, agriculture, and other services. The incidence of undeclared work in various services sectors (e.g., catering, retail trade, sport and leisure time services) appears to have relatively increased over the past decade¹⁸.

¹⁵ Bednarik, R. (2014): [Undeclared work in Slovakia. Survey of opinions and attitudes of public administration representatives](#), Institute for Labour and Family Research, Bratislava. Retrieved on 21 December 2022.

¹⁶ Majer, Ivan et al. (2021). [Situational analysis of illegal work in Slovakia. Forms of illegal work, their occurrence and the proposal of measures](#). Retrieved 21 December 2022.

¹⁷ See <https://www.ip.gov.sk/wp-content/uploads/2022/04/Sprava-za-rok-2021.pdf>, accessed 22 December 2022.

¹⁸ Majer, I, et al. (2021) and Bednarik, R. (2014).



This is revealed by labour inspections. Illegal work in Slovakia is mostly detected in construction (447 cases in 2021), industrial production (240 cases) and administrative and support services (208 cases).

Undeclared work is most prevalent in micro and small enterprises employing nine or less people, as suggested by both inspections and surveys. Large enterprises appear to be much less involved in undeclared activities. This fact was also found in the previous years.

In 2021, out of the total number of illegally employed natural persons 28 % were women and 72 % were men.¹⁹

Temporary work agencies that provide temporary positions to workers may be part of undeclared work in Slovakia through violation of the prohibition of illegal work. According to the law, agency employment is strictly regulated (it is an employment service that can only be performed by an authorised entity meeting strict requirements). Not all agencies comply with the regulations though.

Inspections revealed 30 cases of illegal employment of minors. Labour inspection also detected the illegal employment of 413 foreigners. Out of those identified, there were 60 EU citizens (in most cases persons from Hungary, Romania and Poland employed in the construction industry), 352 third countries nationals who had a residence permit (mostly persons from Ukraine and Serbia employed in the sector of administrative and support services, industrial production and construction) and 1 third country national without a respective permit.

In 2021, labour inspectors discovered that in 54 % of cases, dependent work for the employer was performed without an established written employment relationship. In 30 % of cases, the violation of the prohibition of illegal employment was caused by the employer's failure to register with the Social Insurance Agency.

High levels of social security contributions and taxes (contributing to high labour costs in relation to productivity) and administrative burdens are considered the traditional drivers of undeclared work for employers. The abundant supply of undeclared labour seems to be another important incentive. Three main motives lead workers to participate in undeclared work – survival concerns, efforts to increase income, and the need to pay off debts²⁰.

2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

Table 1. Overview of key institutional features in Slovakia 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	No

¹⁹ Majer, I, et al. (2021) and Bednarik, R. (2014).

²⁰ Majer et al. (2021) and Bednarik (2014).



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.²¹;

The key national institutions responsible for addressing undeclared work in Slovakia are:

- ▶ **National Labour Inspectorate (NLI)**²² is a central body of state administration, and **Labour Inspectorates (LIs)**, which are local bodies of state administration that protect employees at work through regulatory, control, advisory and repressive actions.

The National Labour Inspectorate is a budgetary organisation subordinate to the Ministry of Labour with nationwide competence that oversees tasks concerning labour inspection and manages and supervises regional labour inspectorates. The National Labour Inspectorate proposes measures related to the improvement of labour protection to the Ministry of Labour and submits to it regular reports on this matter. Labour Inspectorates perform labour inspections, as well as supervise adherence to legal provisions regulating the prohibition of illegal work and illegal employment. Inspectorates are located in eight regional centres.

Labour Inspectorates carry out inspections at the workplaces of employers and natural persons who are entrepreneurs and non-employers, including at their workplaces located on private land and in the homes of natural persons; in all premises where a domestic employee carries out the agreed work; or in all premises where the employee performs work under an agreement on work performed outside the employment relationship.

Labour Inspectorates also notify the Police Department about the cases of illegal employment of third country nationals or stateless persons. It is worth noting that illegal employment of a third country national without a residence permit is, under certain conditions, a criminal offence for which the offender may be imprisoned for up to three years (Act No. 300/2005).

There is a possibility to report by any citizen undeclared work through an online complaint form for illegal employment for both Slovak and foreign nationals in the country²³. The main language used to send such report is a Slovak language.

- ▶ **Social Insurance Agency (SIA)**²⁴. The SIA collects social insurance contributions. Employers must fulfil the obligation to register their employees in the register of insured persons and pension savers managed by SIA before the start of employment. The SIA has to notify employers about a coming control, but this notification can be provided right before the start of the control. SIA provides labour inspectors with electronic access to the register of insured persons and pension savers that allows them to verify if this requirement is fulfilled directly at the time of the inspection. At the same time, the National Labour Inspectorate and Labour Inspectorates inform SIA about identified cases of illegal work and illegal employment. The SIA has the power to inspect persons only in relation to the social insurance; in case of other documents, the inspected person can refuse to provide requested documents. The power to inspect other documents is given to Labour Inspectorates, Although the Labour Inspectorates have the right to check identity (ask for ID), only the police can escort a person to the Police Department in case there is a problem with proof of identity.

²¹ 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.

²² See: <https://www.ip.gov.sk/>, contact email: podatelna@ip.gov.sk.

²³ Website: <https://www.ip.gov.sk/tip-na-nelegalne-zamestnavanie/>, contact email: podatelna@ip.gov.sk.

²⁴ See: <https://www.socpoist.sk/>, contact email: info.english@socpoist.sk.



- ▶ **The Police** cooperates with the labour inspectorates on supervising compliance with working time in transport. This includes the imposition of fines for administrative offences, the consultation of offences and the imposition of fines for infringements. The Police of the Slovak Republic also perform tasks related to checking of the residence requirements of nationals of third countries.
- ▶ **The Financial Administration of Slovakia**²⁵. It collects and administers duties and taxes in order to provide revenue for the state budget of Slovakia and the budget of the European Union and protect the state's economic interests and guard state budget expenditure. The Financial Administration comprises the Financial Directorate of the Slovak Republic, customs offices, tax offices and the Criminal Office of the Financial Administration.
- ▶ **Central Office of Labour, Social Affairs and Family**²⁶ and **Local Offices of Labour, Social Affairs and Family**. The Central office and local Labour Office shall impose a fine for: (i.) an employer for breach of obligations under Law on employment services; (ii.) a legal or natural person acting as a temporary-work agency without authorisation; (iii.) a legal person or a natural person for breach of an employer's obligation in the employment of a national of a Member State of the European Union or a third-country national.-

Violation of the prohibition of illegal employment is an administrative offense for which a fine from EUR 2 000 to EUR 200 000 is imposed on the employer. If it is an illegal employment of two or more natural persons at the same time, at least EUR 5 000²⁷.

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

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviors through campaigns, awards, dedicated websites, etc. at sectoral and company level	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	Yes
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	Yes
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	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	No
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	Yes
Establishing relevant contacts through their networks of members	Yes

²⁵ Website: www.financnasprava.sk, contact page: <https://www.financnasprava.sk/sk/opytajte-sa-financnej-spravy>.

²⁶ Website: <https://www.upsvr.gov.sk/>.

²⁷ According to Law no.125/2006 and Act no. 5/2004.



Serving as access points to corporate databases	Yes
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. Retrieved on 30 November 2022.

2.2 Cooperation and collaboration between authorities and cross-border authorities

2.2.1 The legal basis

The main legal basis for the work of authorities involved in tackling undeclared work are as follows.

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

Authority	Legal framework
National Labour Inspectorate and Labour Inspectorates	Act No. 82/2005 on Illegal Work and Illegal Employment Act No. 125/2006 on Labour Inspection Act No. 311/2001 – Labour code Act No 5/2004 on employment services Act No 462/2007 on the organization of working time in transport
Social Insurance Agency (SIA)	Act No. 461/2003 on Social Insurance
The Police	Act No. 171/1993 on the police force Act No. 404/2011 on Residence of Foreigners Act No. 480/2002 - Asylum Act
The Financial Administration of Slovakia	Act No. 35/2019 - Financial Administration Act
Central Office of Labour, Social Affairs and Family and Local Offices of Labour, Social Affairs and Family	Act No 5/2004 on employment services

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 Slovakia

Authorities involved in fighting undeclared work are obliged to cooperate and provide necessary information within the scope of their competence. At ministerial level, cooperation takes place mainly through inter-resort consultations on legislation and policies. Cooperation between state authorities directly involved in combating undeclared work operates at two levels – cooperative execution of controls and sharing of information.

Labour inspectorates and labour offices conduct joint inspections in the form of planned activities or ad hoc inspections and special campaigns. On specific occasions, inspectors and representatives from other relevant authorities join the control bodies (for example, SIA and police, as mentioned before). Police forces are obliged to



provide necessary cooperation and protection for inspections on request of the control bodies if threats to life, the safety of inspectors or obstruction of controls are anticipated.

As mentioned, the National Labour Inspectorate and Labour Inspectorates have access to the electronic database of SIA and may investigate data needed for controls. In turn, the control bodies are obliged to notify SIA, the National Labour Inspectorate or Labour Inspectorates, and in cases relating to third country nationals also the Police force, of all detected cases of illegal work and illegal employment. Control bodies shall also inform the respective trade licensing office about cases of repeated violation of the prohibition of illegal employment; this shall lead to the cancellation of the trade license. The National Labour Inspectorate maintains a central publicly available list of natural persons and legal entities that have violated the prohibition of illegal employment over the past five years. Control authorities are obliged to notify law enforcement bodies of any facts that indicate the commission of a crime.

2.2.3 Cooperation with other Member States

Act No. 125/2006 Coll. on the Labour Inspection (Article 7 (3)(q) and Article 15) provides for the possible participation of an inspector from another Member State during an inspection conducted in Slovakia in the position of an invited external expert.

Bilateral Memorandum of Understanding on cooperation concerning the enforcement of social policy and social assistance regulations in cases of cross border labour and services has been signed between the Netherlands and Slovakia²⁸. There is also the Agreement on bilateral cooperation and exchange of information between the National Labour Inspectorates in Poland and Slovakia. This Agreement was signed in September 2019, and relates to the posting of workers as part of the provision of services, work performed in the two countries based on contracts and through employment agencies, and the improvement of labour inspection services.

A visiting inspector from another Member State has limited competences during a joint inspection in comparison to a Slovak labour inspector, however, broader than an observer. A visiting inspector has the role of an invited external expert based on a written authorisation of the labour inspectorate and may (i) enter premises accompanied by the Slovak labour inspector, (ii) perform control, tests, investigations and other activities, demand information and explanations regarding observation of certain provisions and obligations arising from collective agreements, (iii) demand presentation of documentation, records or other documents necessary for performance of labour inspection and demand copies thereof, (iv) take samples of materials and substances. Visiting inspector has these competences only within the ongoing labour inspection performed by a Slovak labour inspector.

-Evidence gathered during an inspection in another Member States should be sent through the IMI²⁹ system or other single mechanism as this increases the evidence's legal force. However, in general, evidence may be furnished using any means which is suitable to determine and clarify the actual state of affairs and is in compliance with the law.

3.0 Policy focus and measures

3.1 Policy approach

In Slovakia, undeclared work is addressed by a mix of preventative and deterrence policies. Preventative policies are pursued to improve the legal and administrative framework to make it more favourable for the declaration of

²⁸ [GPF-NL_Ro-MoUs_1.pdf \(europa.eu\)](#)

²⁹ The Internal Market Information System of the European Commission.



economic activity and employment. The deterrence policy approach builds on strengthening detection and sanctions for violations. Even though there are no distinct trends in recent policy developments that would indicate favouring one or the other policy approach, the acting political representation but also the society in general tend to consider deterrence policies as more effective in fighting illicit work than preventative measures. Nevertheless, in combination with reinforced controls and sanctions, a number of promising reforms (for example, mitigation of illegal work and illegal employment based on amendments of certain laws effective from January 2018; or a change in connection with the administrative offense consisting in the prohibition for a legal entity or an entrepreneur to accept work or a service that is provided to them by a service provider through a natural person they illegally employ) have been implemented in recent years, which strengthen incentives to declare work on both the demand and supply sides.

3.2 Main policy measures

The 2022 holistic approaches study³⁰ indicates that four types of measures are commonly used in Slovakia to tackle undeclared work - predominantly the use of:

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

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

3.3 Good practices³¹

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 Slovakia:

- ▶ [National Approach towards the crisis in Ukraine Protecting workers from Ukraine](#) (2022). A new law was introduced in the Slovak Republic in March 2022 (Act No. 92/2022 Coll. – “Lex Ukraine”) enabling Ukrainians to obtain temporary protection status and enter the labour market on the same terms as Slovak citizens. The Slovakian Labour Inspectorate conducted nationwide labour inspections in April 2022 to prevent undeclared work among businesses employing Ukrainian refugees.
- ▶ [Public register of employers infringing the ban on illicit employment](#) (2022). The publicly accessible register of employers that infringe the ban on illicit employment is a non-financial penalty for businesses that engage in undeclared work. It also allows potential employees, business partners, customers, and other agencies to check the register for employers that engage in undeclared work.
- ▶ [Checklist for labour inspectors to detect bogus self-employment](#) (2020). In November 2019, Slovakia introduced the checklist for labour inspectors to detect bogus self-employment. The main goal is to guide labour inspectors

³⁰ 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.

³¹ [Virtual library | European Labour Authority \(europa.eu\)](#)



in distinguishing dependent work from self-employment and to facilitate the identification of cases of abuses and bogus self-employment.

- ▶ [New software application enhancing cooperation on undeclared work between Labour Inspectorates and the Social Insurance Agency](#) (2020). A software application launched in 2019 for data exchange between labour inspectorates and the Social Insurance Agency improves the speed and effectiveness of detecting and dealing with undeclared work activities. The new technology enhances personal data security via a strong authentication technology (grid cards) which controls access to the data.

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

3.4 Challenges and barriers

Undeclared work in Slovakia is similar to the EU average, even though the level of under-declared employment is somewhat higher in Slovakia (Figure 1 above). Challenges to tackling this include no legal definition of undeclared work within the legislative framework, a lack of key high-level coordinating institutional bodies or a national strategy to tackle undeclared work. This creates barriers to developing a coordinated approach at national level and across borders. A wide range of approaches are used such as penalties, detection, supply-side and demand-side incentives, as well as fostering commitment.

In Slovakia, the citizens' perceptions of tax morale and horizontal trust are lower than on average in the EU. Vertical trust in Slovakia is somewhat higher than in the EU. The former may be considered among the key drivers of participation in undeclared work (see Table 4).

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Slovakia	8.08	30 %	52 %	54 %
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 Slovakia are provided in Annex 2.



Annex 1: Approaches used to tackle undeclared work

Table A.1. Approaches used to tackle undeclared work

Approaches used	Existence
PENALTIES	
Use of penalties and fines to prevent participation in undeclared work	Yes
Use of penalties to transform undeclared work into declared work	Yes
Penalties for people or businesses who buy undeclared work	Yes
Reclassifying false employment relationships (e.g., bogus self-employment)	Yes
Use of non-compliance lists ('blacklists')	Yes
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes
'Naming and shaming' lists	Yes
RISK OF DETECTION	
Workplace inspections	Yes
Online/desk-based inspections	Yes
Joint inspections with other national inspectorates	Yes
Announced inspections	Yes
Cross-border inspections	Yes
Registration of workers prior to first day at work	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	No
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g. telephone hotlines) ³²	Yes
Certification of business, certifying payments of social contributions and taxes	Yes
Notification letters	No

³² [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared)



Mandatory ID in the workplace	Yes
Supply chain responsibility (e.g., joint and several liability, due diligence)	Yes
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	Yes
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'Formalisation' advice to start-ups	Yes
'Formalisation' support services to existing businesses	Yes
Targeted VAT reductions	Yes
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	Yes
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	Yes
Initiatives to ease transition from unemployment into self-employment	No
Initiatives to ease transition from employment into self-employment	Yes
Access to free marketing	Yes
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	Yes
Targeted indirect taxes (e.g., VAT reductions)	No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	No
FOSTERING COMMITMENT TO OPERATE DECLARED	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes



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

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



Annex 2: Dashboard: overview of key indicators relevant to undeclared work

The dashboard below provides an overview of the key structural conditions that are associated with the extent of undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Slovakia. 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

SLOVAKIA				
INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))	0.86	0.58	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	46	50	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	0.27	0.21	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	11 830	17 320	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.833	0.862	■	-
Social Progress Index (SPI) (0-100 (high)) **	78.68	80.55	■	-
Self-employment (% of total employment)	15.5	14.8	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	2.9	2.4	■	-
Business flexibility index (0-10 (high))	7.59	7.82	■	-
Expense of government (% of GDP)	41.9	38.3	■	36.6
Research & Development expenditure (% of GDP)	0.47	0.83	■	2.23
Tax revenue (% of GDP)	15.5	18.7	■	19.7
Social contributions (% of revenue)	36.1	40.9	■	33.0
Impact of social transfers on poverty reduction (%)	35.67	38.02	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	0.91	0.56	■	1.65
Unemployment rate (% of active population)	12.0	5.7	■	6.8
People at risk of poverty/social exclusion (% of total population)	19.6	16.4	■	20.9
Severe material deprivation rate (% of total population)	11.1	7.9	■	5.5
Inequality of income distribution (income quintile share ratio)	3.56	3.34	■	4.99
Gini coefficient (0-100 (perfect inequality))	24.8	22.8	■	30.2
Labour productivity (% change on previous period)	-3.6	1.5	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	3.6	3.4	■	-
Judicial independence (1-7 (best))	3.5	2.8	■	-
Rule of law (-2.5 to 2.5 (strong performance))	0.53	0.52	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.05	1.01	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	0.88	0.86	■	-
Trust in Government (% tend to trust)	36	25	■	35
Trust in Parliament (% tend to trust)	35	23	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	7.35	7.17	■	-
Political stability (-2.5 to 2.5 (strong performance))	0.92	0.67	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	43.1	50.6	■	-
Tax compliance (0-10 (high))	7.12	7.85	■	-
Year:	2013	2019		

Acceptability of undeclared work (% total 'unacceptable')



Firm hires worker on undeclared basis	73	69	■	82
Undeclared work by firm for firm	73	70	■	85
Undeclared work by individual for private household	51	61	■	67
Undeclared work by firm for private household	63	66	■	82
Someone partially or completely conceals their income	68	67	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	36	30	■	36

TREND (2009-2019): ■ = positive ■ = unchanged ■ = negative

Notes: * 2009 data not available; 2012 data used instead; ** 2009 data not available; 2014 data used instead; *** 2009 data not available; 2010 data used instead; **** EU-28 average for Expense of government (% of GDP); Tax revenue (% of GDP) and Social contributions (% of revenue)

Source of methodology: 2022 update by Horodnic, I.A. of the study by Williams, C.C. and Horodnic, I.A. (2020). [Horizon scanning: early warning signals of future trends in undeclared work](#), European Platform tackling undeclared work. Extraction date: 30 October 2022.