



European Platform  
tackling undeclared work

# Factsheet on undeclared work – CYPRUS

**March 2023**

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



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# 1.0 Nature and estimated scale of undeclared work

## 1.1 Legal definition

In Cyprus, authorities follow the Commission's definition of undeclared work as paid, legal work that is not declared or reported. The 2017 Law and Regulations on Social Insurance Contributions<sup>2</sup> outlines key terms for addressing undeclared work in Cyprus, which include:<sup>3</sup>

- ▶ **Undeclared work:** Insurable employment or self-employment which has not been declared to the authorities in line with the regulations.
- ▶ **Undeclared earnings:** Earnings which have not been declared by the employer in line with the regulations and include false declarations of earnings.
- ▶ **Illegal employment:** The employment of a person (whether self-employed or employed), who has not secured the right to remain or a valid employment permit.

## 1.2 Estimates of undeclared work

Estimates of undeclared work in this section are based on two available sources providing cross-country comparable data: Eurobarometer surveys and the Labour Input Method (LIM) study. Caution is required because of various limitations of the applied methodologies<sup>4</sup>.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,<sup>5</sup> in 2019, 8.6 % of total labour input in the private sector in Cyprus was undeclared (13.8 % in 2013), Therefore, between 2013 and 2019, there has been a decline in undeclared work. This displays progress in tackling undeclared work. The extent of undeclared work in Cyprus was lower when compared to the EU-27 average (see Figure 1 below).

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<sup>2</sup> Explanatory note on the Law and Regulations on undeclared work, Cyprus Employers and Industrialists Federation (OEB), June 2017. <https://www.oeb.org.cy/en/new-law-regulations-undeclared-work/>, accessed 23 November 2022.

<sup>3</sup> 2019 presentation by Andys Apostolou, Director of Inspections Services, Ministry of Labour and Social Affairs,

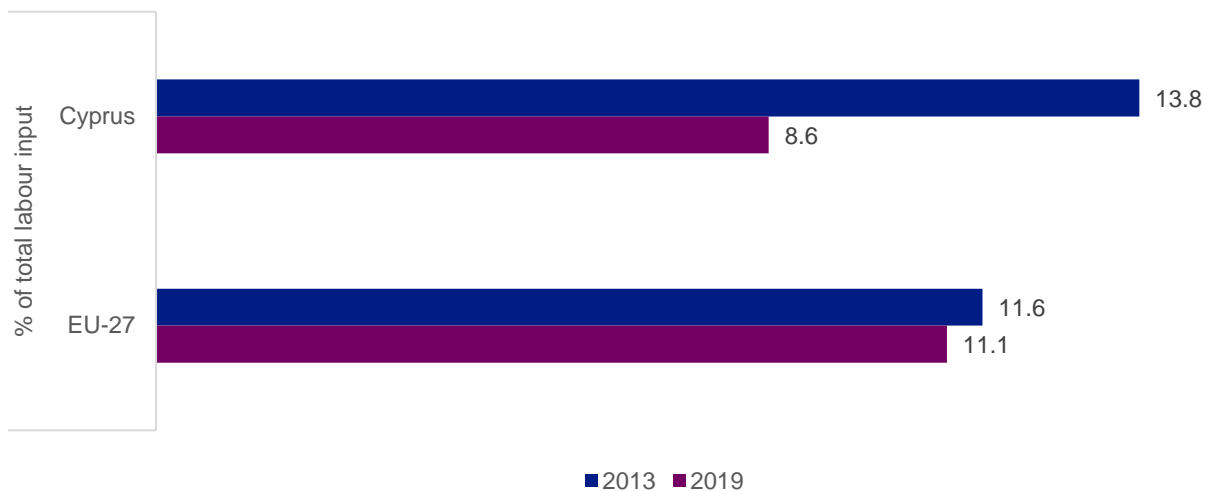
<sup>4</sup> Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, but tend to under-report the extent of undeclared work. There is a consensus among both practitioners and academics that a direct approach should be used more to explore the nature of undeclared work in terms of who engages in such work, why they do so, which forms of undeclared work they undertake, and their reasons for doing so. When estimating the magnitude of undeclared work, the consensus is supportive of the use of indirect methods that search for discrepancies in comparable sets of secondary macroeconomic data (i.e. data constructed and/or collected for other purposes). The LIM study is based on the indirect method, whereas Eurobarometer surveys on the direct method.

<sup>5</sup> Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017) *An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method*, European Commission, Brussels.

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



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



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

The European Commission’s (2019) *Undeclared work in the EU, Special Eurobarometer* reports that 16 % of Cypriots reported buying goods or services where undeclared work may have been involved because there was no invoice or VAT receipt. 38 % reported that they personally know someone whom they suspect of not declaring all their income.<sup>6</sup>

In 2021, the Labour Inspectorate inspected 4 343 employers (including 690 self-employed individuals). Of the 10 166 employees checked, 8.73 % were found to be undeclared. Sectors with the highest prevalence of undeclared work were construction, health and social care, education, and transport and logistics. Of the 887 individuals found undertaking undeclared work, 41 % were third-country nationals and 21 % were EU (non-Cypriot) citizens.<sup>7</sup>

The figures below indicate the current state and development of undeclared and under-declared work and bogus self-employment between 2007 and 2019 for Cyprus, 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>8</sup>.

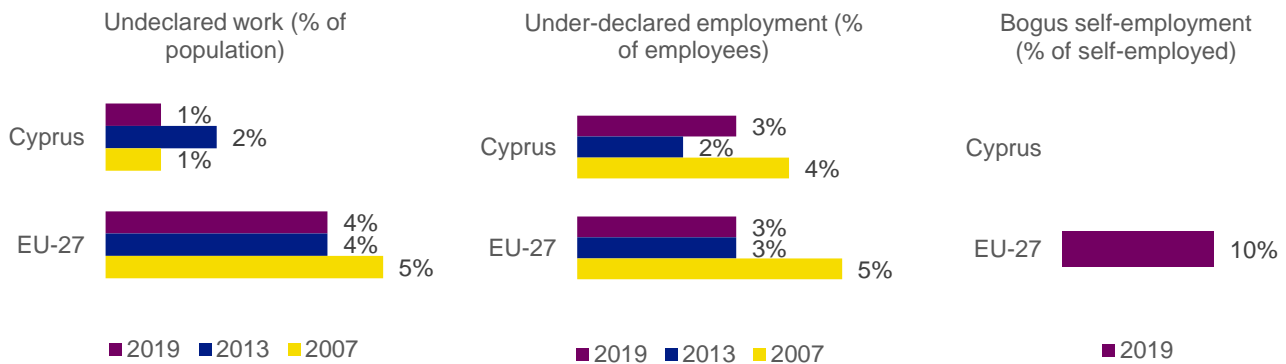
<sup>6</sup> Republic of Cyprus Factsheet. *Undeclared work in the European Union: Special Eurobarometer 498*. European Commission, 2020, available at: <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=72260>

<sup>7</sup> See MLWSI (2022) Ministry of Labour, Welfare and Social Affairs Annual Report 2021, March 2022 [https://www.mlsi.gov.cy/mlsi/mlsi.nsf/all/400AF7FBED1D2D2DC22587AB002E6B52/\\$file/2021.pdf?openelement](https://www.mlsi.gov.cy/mlsi/mlsi.nsf/all/400AF7FBED1D2D2DC22587AB002E6B52/$file/2021.pdf?openelement)

<sup>8</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.



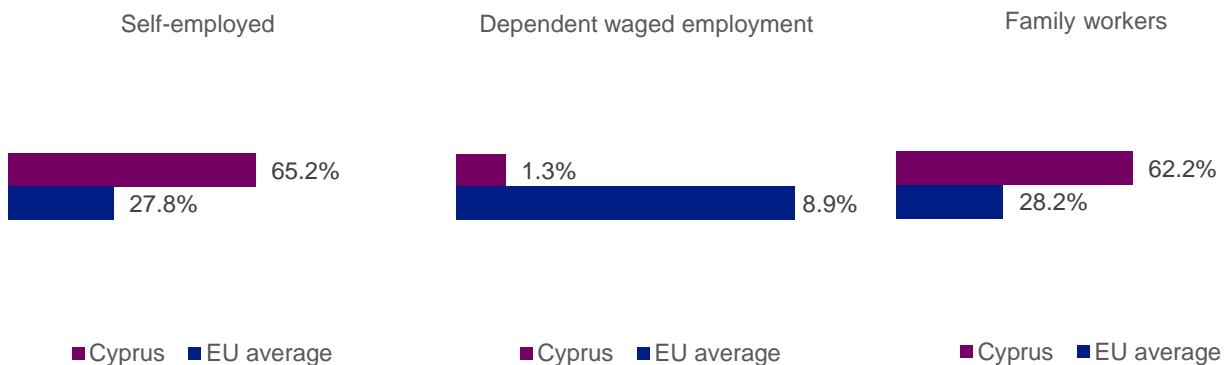
**Figure 2. Composition of undeclared work, Cyprus and EU-27, 2007, 2013 and 2019**



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 relationships. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationships, namely self-employment, dependent waged employment, and family work. Analysing the 2019 Labour Input Method (LIM) estimates,<sup>9</sup> in Cyprus, 1.3 % of dependent waged employment is undeclared (measured as a share of total labour input), the proportion of self-employment that is undeclared is 65.2 % (measured as a share of their total labour input), and the proportion of family work that is undeclared is 62.2 %<sup>10</sup>.

**Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Cyprus, 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 Cyprus in 2019 using the LIM estimates (see Figure 4),<sup>11</sup> the proportion of undeclared labour input that is dependent waged employment is 13.5 % (62.9 % in the EU-27), 82.2 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared

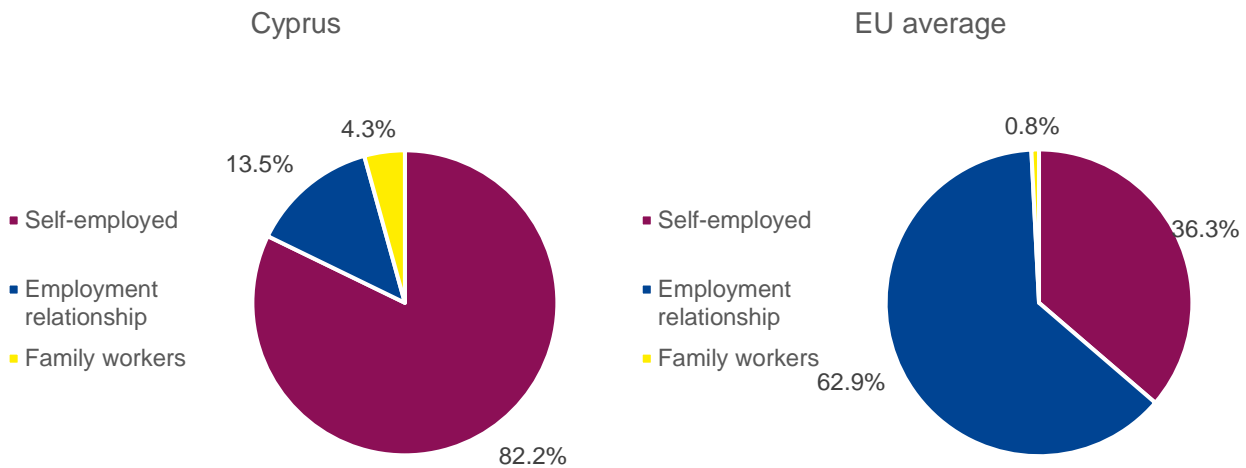
<sup>9</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

<sup>10</sup> This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

<sup>11</sup> Franic, J., Horodnic, I.A. and Williams, C.C. (2022).

labour input that is family work is 4.3 % (0.8 % in the EU-27). Therefore, compared with the EU-27, dependent waged employment makes up a smaller proportion of undeclared work and self-employment a much larger share.

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

## 2.0 Institutional framework

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

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

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

Source: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.<sup>12</sup>

In Cyprus, the following bodies are responsible for addressing undeclared work:

<sup>12</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.



- ▶ **The Ministry of Labour and Social Insurance (MLSI)**<sup>13</sup>: Primary government organisation responsible for legislating and co-ordinating social insurance and labour rights. Within the Ministry, the Department of Labour Relations<sup>14</sup> and the Department of Labour Inspections<sup>15</sup> oversees the implementation of labour laws.
- ▶ **Labour Inspectorate** was established in 2017 and operates under the Administration of the Ministry of Labour and Social Insurance. Teams of inspectors and co-inspectors conduct more than 6 000 inspections per year: Service within the Department of Labour Relations which inspects workplaces and enforces compliance with regulations on labour and social insurance. The Inspection Service also provides information, advice and training to employers and employees on the relevant laws and on effective ways to implement them.<sup>16</sup>
- ▶ **The Ministry of the Interior**<sup>17</sup>: Government organisation responsible for certifying individuals’ right to work, including migration and citizenship status.

Other institutions with responsibility for legislating, monitoring and enforcing regulations on undeclared work in Cyprus include the Ministry of Finance,<sup>18</sup> the Executive Branch,<sup>19</sup> and the Tripartite System (comprising of executive and legislature, unions, and employer organisations).

Social partners are also involved in monitoring and tackling undeclared work, including trade unions and employer organisations. An overview of social partners’ involvement is included below.

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

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviours through campaigns, awards, dedicated websites, etc., at sectoral and company level	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	No
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	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	No
Providing policy advice on where enforcement authorities should focus their efforts (e.g., bogus self-employment, particular sectors)	Yes

<sup>13</sup> See [Home | Ministry of Labour and Social Insurance \(mlsi.gov.cy\)](#), contact: [administration@mlsi.gov.cy](mailto:administration@mlsi.gov.cy), accessed 21 November 2022.

<sup>14</sup> See [Department of Labour Relations | Home Page \(mlsi.gov.cy\)](#), contact: [info@dlr.mlsi.gov.cy](mailto:info@dlr.mlsi.gov.cy), accessed 21 November 2022.

<sup>15</sup> See [Republic of Cyprus - Department of Labour Inspection - Welcome to our Website \(mlsi.gov.cy\)](#), contact: [info@dlr.mlsi.gov.cy](mailto:info@dlr.mlsi.gov.cy)

<sup>16</sup> See <https://www.mlsi.gov.cy/mlsi/mlsi.nsf/inspectionsservices-el/inspectionsservices-el?OpenDocument>, accessed 21 November.2022.

<sup>17</sup> See [Ministry of Interior \(moi.gov.cy\)](#), accessed 21 November 2022.

<sup>18</sup> See [MINISTRY OF FINANCE \(mof.gov.cy\)](#), accessed 21 November 2022.

<sup>19</sup> The Executive Branch is the President and Vice-President of the Republic, [Presidency of the Republic - PIO](#)





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

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 for Tackling Undeclared work.

## 2.2 Cooperation and collaboration between authorities and cross-border authorities

### 2.2.1 The legal basis

The main legal basis for the work of authorities involved in tackling undeclared work is as follows:

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

Authority	Legal framework
Ministry of Labour, Welfare and Social Insurance (MLWSI)	Social Insurance (Amendment) (No. 2) Law of 2017 (L.52(I)/2017) Social Insurance (Contributions) Amending Regulations of 2017, C.D.P. 167/2017
Labour Inspectorate	Law on the Establishment of an Inspection Service at the Ministry of Labour, Welfare and Social Insurance (L.88(I)/2020)

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 Cyprus

As ministries and agencies of the executive branch, authorities responsible for undeclared work cooperate frequently. Measures have been taken to undertake joint inspections between government authorities. Likewise, data is shared across government departments, including integrated administrative data sets and the Guaranteed Minimum Income (GMI) framework.<sup>20</sup>

### 2.2.3 Cooperation with other Member States

As present, there is no legal framework for cross-border cooperation to tackle undeclared work. However, discussions are underway to establish co-operation with other Member States.<sup>21</sup>

To facilitate cross-border cooperation, the Platform has actively provided support for staff exchanges and joint activities which could include: joint inspections or joint actions; cross border meeting of inspectors from

<sup>20</sup> See , accessed 15 December 2022.

<sup>21</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 for Tackling Undeclared work.



neighbouring countries; common cross-border training of inspectors/specialists; staff learning visits; job shadowing in another country, and common information sessions/seminars. By taking part in a staff exchange or join activity, Platform members and observers learn about a certain topic, practice or process through a first-hand and concrete learning experience from their chosen colleagues and can then reflect on whether this could be replicated in their own country.

Five virtual activities took place during 2020, including the first concerted inspection coordinated by the European Labour Authority (ELA). A virtual visit took place between Cyprus and Greece in September 2020 with the objective to share understanding and expertise and explored inspection methods and tools including Greece's ERGANI IT system.<sup>22</sup> As a follow-up to this exchange on the 26 August 2021, the Ministry of Labour, Welfare, and Social Insurance announced that as from September 2021 the 'ERGANI' Information System has been in force.<sup>23</sup> All new registrations of employers with the Social Insurance Services, as well as new employees recruited by employers will have to be made through 'ERGANI' Information System prior the recruitment<sup>24</sup>, aiming to reduce the size of undeclared work in Cyprus, as well as any illegal employment.<sup>25</sup>

The new online system allows employers to register themselves and their employees with Social Insurance Services electronically. Among other things, the new system aims at combating illegal and undeclared work.

The Cyprus Ministry of Labour, Social Security and Social Insurance announced that the corresponding 2017 Social Insurance Regulations (Regulation 167/2017) entered into force on 13 September 2021.

## 3.0 Policy focus and measures

### 3.1 Policy approach

Cypriot authorities have committed to the policy approach outlined by the European Platform tackling undeclared work. In 2017, new legislation outlined measures to strengthen detection and enforcement mechanisms for undeclared work and a new division, the Labour Inspectorate, was set up specifically to address undeclared work. These include updated guidelines for employees to declare work and sanctions for non-compliance. In addition, the Ministry of Labour, Welfare and Social Insurance (MLWSI) has spearheaded a campaign of public awareness of the problems involved.

To increase targeted inspections and detection of undeclared work as well as improve transparency and employee protection in the workplace environment, Cyprus has been operating a whistleblowing hotline to allow the anonymous reporting of malpractice, fraud, and undeclared work occurring in the workplace. In 2016, Cyprus introduced legislation for the protection of whistleblowers;<sup>26</sup> however, it did not offer a comprehensive framework for protection until Cyprus passed the 2022 Law (transposing the EU Whistleblowing Directive) that consolidated existing national legislations and harmonised practices.<sup>27</sup>

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<sup>22</sup> Summary report on staff learning exchanges and joint activities 2020, European Platform tackling undeclared work.

<sup>23</sup> [ERGANI Information System is now operational \(andersen.com\)](https://andersen.com), accessed 15 December 2022.

<sup>24</sup> [Υ.Ε.Π.Κ.Α. - Πρόσβαση στο Σύστημα \(mlsi.gov.cy\)](https://mlsi.gov.cy), accessed 28 November 2022.

<sup>25</sup> ["ERGANI" Information System – Social Insurance Services - Employee Benefits & Compensation - Cyprus \(mondaq.com\)](https://mondaq.com), accessed 28 November 2022.

<sup>26</sup> Whistleblowers protection already in place, available at [EU Whistleblowing Directive - CYPRUS – Whispli](https://whispli.eu). Accessed 10 December 2022.

<sup>27</sup> *How will CYPRUS protect whistleblowers*, 10 February 2022, [Panel discussion on Whistleblowing.pdf \(dataprotection.gov.cy\)](https://dataprotection.gov.cy); <sup>27</sup> [National Whistleblowing laws in the EU - Whistlelink](https://whistlelink.eu), accessed 10 December 2022.



The Protection of Persons Who Report Violations of EU and National Law (Law of 2022 (Law 6(I)/2022) will reinforce the existing whistleblowing mechanism in Cyprus and will further improve transparency and employee protection in the workplace environment. The Whistleblowing Law requires all private sector entities with 50-249 employees to establish their internal reporting channels by 17 December 2023.<sup>28</sup>

## 3.2 Main policy measures

The 2022 holistic approaches study<sup>29</sup> indicates that four types of measures are commonly used in Cyprus to tackle undeclared work - predominantly the use of:

- ▶ **Penalty measures:** The minimum sanction for employers found liable for undeclared work or undeclared earnings is EUR 500. An additional EUR 500 sanction is imposed for each month of undeclared employment/earnings prior to inspection. The administration fine for an employer for an undeclared person could reach up to EUR 3 500. The maximum total fine per inspection per employer is EUR 10 000 for cases of less than 10 employees, no limit for employers with more than 10 employees, employers who receive multiple fines within 2 years may be ordered to suspend operations for up to 48 hours. The total fine is reduced by 30 % when paid within 30 days and increased for late payment.

Self-employed individuals found liable for undeclared work will receive a fine of up to EUR 200 for each month of undeclared work prior to inspection. A total fine of EUR 1 400 could be issued.<sup>30</sup> Other measures include penalties which incentivise the uptake of declared work, penalties for businesses that buy undeclared work, and penalties for those who declare false relationships such as bogus self-employment.

- ▶ **Initiatives to increase the risk of detection (e.g., inspections):** Inspections of workplaces in Cyprus are coordinated by the Labour Inspectorate. To increase the risk of detection, measures include the use of data mining and data sharing across the government, joint inspections with other government departments, and a complaints tool to report undeclared work.
- ▶ **Incentives to make declared work easier and more beneficial:** Measures have been taken to simplify the process of declaring work, including registration and documentation procedures.
- ▶ **Education and awareness-raising campaigns and initiatives to modernise authorities to improve trust in government:** Measures have been taken to raise public awareness of undeclared work, which include campaigns to raise awareness of the risks of undeclared work and the benefits of engaging in formalised work. This includes suppliers of undeclared work, in addition to customers who use goods and services from the undeclared economy. Additional measures are taken to raise public awareness of labour, tax and social security laws, and the operations of enforcement authorities.

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

## 3.3 Good practices<sup>31</sup>

Good practices in tackling undeclared work have been explored by the European Platform tackling undeclared work. The following good practice addressing undeclared work has been identified in Cyprus:

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<sup>28</sup> [Cyprus: Whistleblowing Law is published in the Official Gazette | News post | DataGuidance](#)

<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> Explanatory note on the Law and Regulations on undeclared work, Cyprus Employers and Industrialists Federation (OEB), June 2017. <https://www.oeb.org.cy/en/new-law-regulations-undeclared-work/>

<sup>31</sup> [Virtual library | European Labour Authority \(europa.eu\)](#), accessed 21 November 2022.



- ▶ [Low threshold whistleblower through telephone hotline](#) (2023). Cyprus' whistleblower telephone hotline was introduced to enable employees and others report malpractice and unlawful behaviour within the workplace. A dedicated hotline to receive complaints, information regarding undeclared work, and violation of basic terms of employment in the private sector has been operating in Cyprus since 2010. Information received has been handled by the Labour Inspectorate for targeted inspections.
- ▶ [Training for social partners on undeclared work](#) (2022). Since 2017, the Labour Inspectorate organises training on an annual basis to inform social partners on the issue of undeclared work, relevant legislation, and measures to tackle undeclared work. Some trainees, in turn, agree (voluntarily) to provide similar training to the members of their own organisations as well as share information on suspected cases of undeclared work with the Labour Inspectorate.

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

### 3.4 Challenges and barriers

Whilst undeclared work is less prevalent in Cyprus than the EU-27 average, it continues to present challenges for authorities. It is especially prevalent in self-employment, which accounts for 82 % of undeclared labour input. Whilst Cypriots tend to perceive undeclared work as unacceptable at a higher rate than the EU-27 average (see Table 4), the proportion of individuals who know someone who engages in undeclared work is slightly higher (38 %) than the EU-27 average. Likewise, the number of Cypriots who trust the tax authorities (42 %) and labour inspectorate (43 %) is lower than the EU-27 average. The lack of a coordinating body and a national strategy for addressing undeclared work presents an additional challenge for authorities. A range of policy measures has been implemented to address undeclared work, including greater sanctions, effort to increase the risk of detection, and initiatives to raise public awareness of the risks of undeclared work. However, less progress has been made regarding measures which incentivise the greater uptake of declared work and the purchase of declared goods and services.

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

	Tax morale*	Horizontal trust**	Vertical trust: tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Cyprus	8.85	38 %	42 %	43 %
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 macroeconomic and structural conditions of institutions affecting the prevalence of undeclared work in Cyprus 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)	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
<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	No
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) <sup>32</sup>	Yes
Certification of business, certifying payments of social contributions and taxes	No
Notification letters	Yes
Mandatory ID in the workplace	No

<sup>32</sup> [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared), accessed 21 November 2022.



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	No
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'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
<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)	No
<b>FOSTERING COMMITMENT TO OPERATE DECLARED</b>	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	Yes
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes
Normative appeals to businesses to operate on a declared basis	Yes



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

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



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

The dashboard below provides an overview of the key structural conditions that are associated with undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Cyprus. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

CYPRUS				
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))	1.41	0.99	■	-
<b>2. Formal institutions acting in a corrupt manner</b>				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	66	58	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	0.91	0.63	■	-
<b>II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES</b>				
<b>1. Modernisation Explanation - Level of 'development'</b>				
GDP (current prices, euro per capita)	23 110	26 280	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.862	0.897	■	-
Social Progress Index (SPI) (0-100 (high)) **	79.39	82.21	■	-
Self-employment (% of total employment)	16.4	12.0	■	13.4
<b>2. State intervention</b>				
Burden of government regulation (1-7 (best))	4.0	3.7	■	-
Business flexibility index (0-10 (high))	7.06	7.93	■	-
Expense of government (% of GDP)	39.0	36.8	■	36.6
Research & Development expenditure (% of GDP)	0.44	0.71	■	2.23
Tax revenue (% of GDP)	23.2	23.5	■	19.7
Social contributions (% of revenue)	21.9	26.9	■	33.0
Impact of social transfers on poverty reduction (%)	33.05	35.24	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	0.80	0.53	■	1.65
Unemployment rate (% of active population)	5.4	7.1	■	6.8
People at risk of poverty/social exclusion (% of total population)	23.5	22.3	■	20.9
Severe material deprivation rate (% of total population)	9.5	9.1	■	5.5
Inequality of income distribution (income quintile share ratio)	4.37	4.58	■	4.99
Gini coefficient (0-100 (perfect inequality))	29.5	31.1	■	30.2
Labour productivity (% change on previous period)	-2.0	1.7	■	0.7
<b>III. FORMAL INSTITUTIONAL POWERLESSNESS</b>				
Reliability of police services (1-7 (best))	5.4	4.8	■	-
Judicial independence (1-7 (best))	5.4	4.6	■	-
Rule of law (-2.5 to 2.5 (strong performance))	1.21	0.75	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.36	1.01	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.07	1.05	■	-
Trust in Government (% tend to trust)	53	29	■	35
Trust in Parliament (% tend to trust)	53	33	■	34
<b>IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY</b>				
Democracy Index (0-10 (full democracy)) ***	7.29	7.59	■	-
Political stability (-2.5 to 2.5 (strong performance))	0.39	0.56	■	-
<b>B. INFORMAL INSTITUTIONS</b>				
Social capital (0-100 (high))	49.3	46.6	■	-
Tax compliance (0-10 (high))	8.33	8.66	■	-
Year: 2013 2019				
<i>Acceptability of undeclared work (% total 'unacceptable')</i>				
Firm hires worker on undeclared basis	94	88	■	82
Undeclared work by firm for firm	97	91	■	85





Undeclared work by individual for private household	81	81	■	67
Undeclared work by firm for private household	94	87	■	82
Someone partially or completely conceals their income	96	85	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	39	38	■	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.