Study visit of the European Platform tackling undeclared work: Lithuanian Labour Inspectorate's approach and operational practices for tackling undeclared work

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EXECUTIVE SUMMARY

The study visit hosted by the State Labour Inspectorate of the Republic of Lithuania provided the members and observers of the European Platform tackling undeclared work ('the Platform') with the opportunity to explore the Inspectorate's approaches and operational practices used for tackling undeclared work. The goal was to gain a comprehensive understanding and potentially transfer elements of these practices across different contexts, fostering a cooperative and mutually beneficial learning environment for all attendees. The study visit brought together 26 participants, including representatives of labour inspectorates, tax and social security institutions from 16 Member States, representatives of the State Labour Inspectorate of the Republic of Lithuania, representatives of the European Labour Authority (ELA), and industry partners.

Introduction to the theme of the study visit

A welcome speech was given by a representative of the State Labour Inspectorate of the Republic of Lithuania. He highlighted the continued efforts of the Inspectorate to tackle undeclared work, to ensure compliance with occupational health and safety regulations, and to enforce labour and tax laws, thus ensuring fair economic conditions and a healthy competition to foster a strong national economy.

Representatives of ELA also welcomed participants and stressed that mutual learning is one of ELA's most important priorities. Against this backdrop, the present study visit provided a valuable opportunity to share the operational practices of the Lithuanian State Labour Inspectorate, such as **the deployment of drones, QR code identification systems, and AI-driven support technologies**, to identify aspects that could be implemented in existing workflows in other Member States.

As part of this study visit, the host country organised two **joint on-site inspections** to construction sites to provide an in-depth perspective on the Inspectorate's work methods, offering firsthand insights into how these processes are applied in the field.

Opening presentation by the host country

The introductory presentation of the Lithuanian State Labour Inspectorate shared insights into its organisational structure and the procedures and methods applied during its operations, emphasising the **critical importance of inter-institutional cooperation** with other governmental authorities, tax and social security institutions, and law enforcement bodies, to guarantee efficient and resource-effective operations. In this context, the representative noted that the cooperative data sharing practices develop strategic synergies, e.g. via the use of state-run databases to complement in-house data sets, thus further enhancing cross-functional alignment in labour law compliance and enforcement processes.

After the introductory remarks, questions from participants sought clarification on the legal framework governing the Inspectorate's operations, and potential privacy issues with image and video recordings during inspections. It was explained that the legal framework established in Lithuania grants the Inspectorate extensive authority to conduct necessary operations, including the legal right to freely take photos and record videos (e.g. via body worn cameras or drones).

Host country presentation on the use of drones as a supportive tool for more effective worksite inspections

In the second presentation, the Lithuanian State Labour Inspectorate gave an overview of its practical use of new technologies, spanning from the use of QR codes to facilitate worker identification to the leveraging of drones during on-site labour inspections. The representative offered comprehensive explanations of the legal regulations, technical and structural specifications, and training requirements related to the deployment of drones, highlighting, among others, the need to comply with the regulations established by the National Aviation Authority, including no-fly zones, restricted areas, and altitude limitations. He further presented background information on the Inspectorate's practical use of drones, illustrated with examples drawn from past operations, emphasising the vital role of drones in enhancing area monitoring efforts, coordinating inspections from the air, and detecting occupational safety and health violations. Finally, it was highlighted that drones constitute a good tool for collecting evidence for undeclared or illegal activities given that image and video recordings are admitted as evidence in Lithuanian courts. Overall, **using drones and body cameras leads to an increased success rate of inspections**, enhancing transparency, accuracy, and cost-effectiveness.

Host country presentation on the established cooperation among public agencies at national and regional level within the frameworks of the Risk Assessment Centre (RAC) and Joint Operation Centres (JOC), as well as the high-level collaborative model of the Centre of Inter-Institutional Cooperation (CIIC)

In the third presentation, the Lithuanian State Labour Inspectorate outlined the organisational and operational framework of the Risk Assessment Centre and Joint Operational Centres, where public institutions, law enforcement bodies, and labour, and tax and social security authorities collaborate to ensure operational efficiency, with the objective of curbing undeclared and illegal employment and, more broadly, combating the grey economy. The representatives further provided an in-depth quantitative evaluation regarding the strategies implemented and the tangible outcomes achieved by both Centres in strengthening labour law compliance and mitigating legal violations within Lithuania. Furthermore, they presented the organisational and structural framework of the Centre of Inter-Institutional Cooperation (CIIC), an initiative launched in 2024 to foster high-level cross-border collaboration among authorities. The CIIC integrates labour inspectorate, tax, social security and border control authorities, and other law enforcement bodies, which, in addition to coordinating labour inspections across Lithuania, place particular emphasis on active collaboration in cross-border inspections throughout the EU.

Following the presentation, participants sought clarification on the protocols governing data sharing among entities, including the operational workflows involved. Additionally, they emphasized the importance of data privacy and security measures, specifically inquiring about the encryption protocols applied to shared data. It was clarified that, although encryption is not currently applied, all data is securely maintained on safeguarded cloud servers and is accessible only to authorised personnel. Furthermore, robust data management protocols are in place, ensuring that information is systematically reviewed and regularly deleted in accordance with established retention schedules.

Host country presentation on the utilisation of non-compliance lists as a strategic tool to enhance deterrence and prevention of undeclared work

The fourth presentation focused on the use of two non-compliance lists on which any legal entity or self-employed individual is publicly disclosed (i) if they are deemed non-compliant with the minimum reliability standards for taxpayers under Article 40' of the Law on Tax Administration or (ii) if they have committed administrative labour law infringements. **The lists aim to discourage legal entities from legal violations and prevent undeclared or illegal business activities.** Moreover, they provide a comprehensive record of labour-related violations and could be essential for planning inspections in targeted high-risk cases. The first list of non-compliant taxpayers is compiled by the State Tax Inspectorate (STI) using information from a range of sources beyond internal data, such as final administrative decisions pursuant to the Law on Tax Administration, final criminal court rulings, and reports on illegal employment. The repercussions for listed entities were further explained, including, among others, disruptions to supply chains, heightened compliance costs, erosion of trust among business partners and investors, disqualification from public procurement opportunities, and postponed VAT reimbursements. The second list, comprising data on entities in breach of labour laws and other laws and regulations under the jurisdiction of the State Labour Inspectorate, is compiled pursuant to Article 13-2 of the Law governing the Lithuanian State Labour Inspectorate, with data being retained for 1 year, and, in cases involving undeclared work, for 3 years.

Presentations on leveraging public big data through advanced AI-driven data mining techniques to detect under-declared or illegal employment, and the integration of AI-driven chatbot technology in operational workflows

Representatives from industry partners of the Lithuanian State Labour Inspectorate shared their insights and practical experiences with leveraging public big data and implementing AI-driven chatbot tools to enhance operational efficiency, improve risk assessment, detect undeclared or unlawful activities, and support more informed decision-making processes.

► The first presentation offered a comprehensive overview of the design and development of a platform that leverages public big data to significantly improve the accuracy and effectiveness of labour law infringement detection. **The platform was developed to offer unified access through a single tool to comprehensive, systematised data collected via AI-driven technologies,** thereby streamlining and embedding consistent data analysis processes into the Inspectorate's daily operations. The system employs state-of-the-art data security mechanisms and protocols, ensuring robust protection while showcasing the Inspectorate's leadership in digitalisation through the implementation of AI-driven solutions. The representative further elaborated on the platform's technical capabilities, highlighting key features such as the data selection methodology, systematic organisation of collected data, and intuitive graphical visualisations designed to aid inspectors in interpreting complex information.

► The next presentation covered the origins and development of a chatbot system engineered to facilitate continuous and effective user engagement beyond standard working hours, including nights and weekends. **This system is designed to address customer inquiries related to labour law infringements** by leveraging AI-driven Large Language Models (LLMs) integrated with advanced Natural Language Understanding (NLU) and Lithuanian-specific Natural Language Processing (NLP) algorithms. These sophisticated language processing capabilities are combined with access to an internal knowledge base, ensuring that responses are legally accurate, precise, and comprehensible. Finally, detailed statistical and technical information was presented, covering the chatbot's core functionalities, the iterative model training and validation processes employed during its development,

and the deployment methodologies for its seamless integration into web platforms and mobile applications. Emphasis was placed on ensuring scalability, interoperability, and user experience optimisation throughout the development process.

Questions centred on the tools employed for data extraction, the types of databases utilized, and the nature of the data sources involved. Participants also inquired about the measures in place to ensure data privacy and security compliance. It was indicated that bespoke technological solutions were implemented, notably leveraging machine learning technologies, technical resources including Application Programming Interfaces (APIs), Microsoft development tools and methodologies, as well as SQL-based database architectures. Finally, it was emphasised that the processing of both public and private data fully complies with all relevant EU data protection and privacy regulations, including strict adherence to the provisions of the General Data Protection Regulation (GDPR).

Member States' presentations

Poland, Latvia and Spain delivered insightful presentations on the integration of new technologies into their respective operational workflows related to labour law and tax matters. The representatives of Poland and Latvia focused on the use of unmanned aerial vehicles, such as drones, to increase the effectiveness of labour inspections, while the representative of the Spanish Tax Agency provided insights into its practical experience with AI-driven tools, particularly highlighting the use of AI chatbot technology to enhance the efficiency and responsiveness of its customer service.

▶ The representative of the Polish State Labour Inspectorate provided a clear overview of the organisation's internal operations, detailing its structure and the professional standards that shape its work. **The Inspectorate strives to leverage new technologies, namely by planning to use drones during labour inspections**, especially in the construction and agriculture/forestry sectors which entail coverage of large geographical areas, to increase the efficiency of its operations, streamline procedures, reduce the costs involved, and mitigate occupational risks for inspectors in hazardous work environments.

▶ The representative of the Latvian State Labour Inspectorate gave an overview of the **recent implementation of drones in its operational workflow**, outlining the early stages of developing the required skills and technical expertise of operators and highlighting the pertinent challenges and limitations. The decision to incorporate drones was mainly driven by the need to collect photos and video footage from work environments where accidents have taken place, although the courts' response to this novel form of evidence is still to be seen.

▶ The representative of the Spanish Tax Agency shared insights into its **practical use of AI-based tools aimed at improving the information services provided to taxpayers**. She presented the organisational, functional, and practical aspects of the development and deployment of AI-driven chatbots, which are designed to assist taxpayers by delivering accurate answers to their queries. Both the benefits of using AI-based technology and the technical challenges faced were addressed, emphasising that these experiences will lead to the development and implementation of new technologies in the near future.

After the presentations, questions primarily addressed the practical deployment of drones in labour inspections, with a focus on insurance and weather-related considerations. In response, **insurance was identified as essential for the safe operation of drones during inspections.** Further, it was indicated that drones should not be used in adverse weather conditions, such as strong winds, heavy rain, or low visibility, as inspectors must maintain constant visual contact with the drone.

Participants were also interested in understanding how human input supports the AI chatbot's work, as well as the technical and practical aspects of how responses are generated to effectively address user queries.

In this context, it was noted that the system generates responses exclusively from a closed decision tree within an internal knowledge base to ensure legal accuracy and compliance. **When incorrect answers are provided, the chatbot team intervenes with targeted guidance and oversight** to support the continuous improvement of service quality.

Hands-on inspections at construction sites organised by the Host Country. Drones and the Transparent Worker Identification (QR) Code system are used to showcase the practical benefits of employing new technologies to identify and tackle undeclared work

The host country organised two joint on-site inspections together with other authorities that are members of the CIIC at two construction sites, giving participants hands-on insight into the working methods and procedures of the Lithuanian State Labour Inspectorate. The demonstration notably showcased the operational use of drones and the Transparent Worker Identification QR Code system, among other elements.

Conclusions / Final remarks

ELA concluded the study visit with a comprehensive summary of the presentations and activities conducted during the visit.

✓ The importance of **efficient operational collaboration among multiple stakeholders was identified as a key message of the event.**

✓ Emphasis was placed on **harnessing technological advancements to establish user-friendly digital tools** which simplify compliance and decrease administrative burdens. Moreover, the integration of advanced technologies enhances the operational capabilities of authorities in performing their role. These advancements can improve the efficiency and effectiveness of enforcement.

In their closing remarks, the Host Country representatives and ELA further expressed their gratitude for the participants' commitment and engagement. It was concluded that the study visit was a beneficial opportunity to delve deeper into the approach and methods applied by the Lithuanian Labour Inspectorate to effectively tackle undeclared work. There could be potential for closer cooperation with some Member States.

Further information: The study visit was integral to a larger mutual learning process among Platform members and observers and provided opportunities for exchange and collaboration. Further information on Platform activities is available at: https://www.ela.europa.eu/en/topics/tackling-undeclared-work