

Success Stories in preventing and combatting undeclared work

During the month of May 2020, the European Commission will organise a seminar dedicated to the Horeca sector and focusing on best practices to prevent and combat undeclared work in the hospitality sector.

In this sense, HOTREC and its trade union counterpart EFFAT are aiming at collecting stories/examples/practices from companies that lead by example preventing and/or combatting undeclared work. Priority is given to social partners' stories/examples/practices at company/sectorial level or tripartite stories/examples/practices.

Please see the results below.

Belgium	
The title of the success story (in English)	Black Box Cash-register - the tool that helps banning undeclared work in Belgium
• Country/countries	Belgium
• Sector	Hospitality
• Organisation(s)	
• Objective	Preventing and combating undeclared work
• Short sentence summarising the story	Implementation of a holistic approach towards tackling undeclared work in Belgium
The story	
• Description of how the measure/activity/tool/etc. operates in practice	<p>Belgium implemented a 'black box' cash register which records every transaction made on it. The end goal of this black box cash register was to ban undeclared work by banning illegal income altogether. If there's no more illegal income, then illegal work would de facto become impossible.</p> <p>As a compensation for this mandatory black box cash register, some assistive measures were granted to the hospitality sector as a whole.</p> <p>One of those measures was the introduction of so-called flexi-jobs, available to workers that already work at least 4/5 days of a full time contract elsewhere. If those workers want to start a side-job in the hospitality sector, the (hospitality) employer only pays 25 % in social and fiscal charges. The employee is not charged at all. Moreover, a lower minimal wage is applicable for flexi-workers.</p> <p>Another measures was 'cheap overtime'. For those employers that use the compulsory black box cash register, overtime (for fulltime staff only) is free of any charges up to a maximum of 360 hours per year per employee: every euro payed by the employer goes to the employee.</p>

	In this way undeclared work was fought and the hospitality sector somehow compensated.
• New or innovative element	Creating legal framework for a sector as flexible as Hospitality
• Context driving its implementation	See above
• Scope (regional, sectoral, national or cross-border)	National
• Results	More declared work, less undeclared work, lowering of employers' costs
• Social, economic and financial impact	36.474 flexi-jobs in one year (Q1/2019) Additional 45,9 million in declared wages
• Extent to which it prevents Undeclared Work	Making undeclared work less attractive

Italy

The title of the success story (in English)	Rights and obligations of controllers and controlled
• Country/countries	Italy
• Sector	Tourism
• Organisation(s)	Fipe – Federazione Italiana Pubblici Esercizi
• Objective	The main goal of the Fipe's initiatives is to raise awareness of employers about risks of undeclared work through the spread of knowledge.
• Short sentence summarising the story	The Fipe's main purpose is to fight undeclared work through the creation a dialogue between controllers and controlled and dissemination of knowledge about the risks of undeclared work.
The story	<p>More frequent changes of the legislation made it difficult to respect (and control) the rules because of interpretative difficulties that lead to episodes of conflict between controllers and the ones controlled, which do not help either the controlling operators or the entrepreneurs to the respect of the laws.</p> <p>In order to overcome these difficulties, FIPE made some simple tools to make clear what are the main rules of the labour market that tourism industry companies need to know.</p> <p>Fipe believes that combating illicit employment should be fought with the spread of knowledge.</p> <p>For example, FIPE has made available to everyone on the Fipe site the national collective bargaining Agreement of work for employees from companies in restaurants, bars, cafes, collective and commercial catering and tourism https://www.fipe.it/lavoro-welfare/ccnl-pubblici-esercizi-ristorazione-coll-e-comm-e-turismo/indice-ccnl-fipe.html.</p>

	<p>FIPE prepared guides on the main rules of the labour market (working hours, salaries, etc.) and on the main employment contracts in tourism (apprenticeship, term contract etc.).</p> <p>Fipe made a vademecum about labour inspections highlighting the Rights and Duties not only of the controllers but also of the controlled.</p> <p>In addition, Fipe organizes several local meeting for companies (more than 35000 attended the meetings), about rights and duties of controllers and controlled, in collaboration with local authority departments responsible to conduct inspections (Ministry of Labour and Social Affairs, City Police Department).</p>
<ul style="list-style-type: none"> Description of how the measure/activity/tool/etc. operates in practice 	Dissemination of knowledge the risks of undeclared work and open dialogue with the controllers and employers.
<ul style="list-style-type: none"> Name(s) of industry organisations /bodies/ authorities involved (names can remain anonymous if explicitly requested). Indicate respective roles, including lead entity. 	Many local authority departments responsible to conduct inspections (Ministry of Labour and Social Affairs, City Police Department etc.)
<ul style="list-style-type: none"> Scope (regional, sectoral, national or cross-border) 	National
<ul style="list-style-type: none"> Results 	The growing awareness of opportunities for regular work
<ul style="list-style-type: none"> Hyperlink to further information, if available 	https://www.fipe.it/lavoro-welfare/ccnl-pubblici-esercizi-ristorazione-coll-e-comm-e-turismo/indice-ccnl-fipe.html

Greece

The title of the success story (in English)	“Supporting the transition from informal to formal economy and addressing undeclared work in Greece”
<ul style="list-style-type: none"> Country/countries 	Greece
<ul style="list-style-type: none"> Sector 	All the sectors
<ul style="list-style-type: none"> Organisation(s) 	Greek Government, the national social partners supported by the ILO and the Structural Reform Support Service/EU
<ul style="list-style-type: none"> Objective 	Preventing and combating undeclared work
<ul style="list-style-type: none"> Short sentence summarising the story 	Implementation of a holistic integrated strategic approach towards tackling undeclared work in Greece
The story	The national social partners and the Greek Government are working together to fight undeclared work having as instruments a “Diagnostic Report to fight undeclared work in Greece”, a “Roadmap for fighting undeclared work”

<ul style="list-style-type: none"> • Description of how the measure/activity/tool/etc. operates in practice 	<p>There are 2 critical elements which are the key prerequisites to develop policy measures and initiatives: a special tripartite social dialogue body which is responsible for policy design and assessment of the holistic strategic approach and the interoperability of data bases for the exchange of data between the Ministry of Labour, the Ministry of Finance and the Independent Authority of Public Revenue</p>
<ul style="list-style-type: none"> • New or innovative element 	<p>The institutional tripartite body responsible for the implementation of the holistic strategic approach towards tackling undeclared work</p>
<ul style="list-style-type: none"> • Name(s) of industry organisations /bodies/ authorities involved (names can remain anonymous if explicitly requested). Indicate respective roles, including lead entity. 	<p>The national social partners representing the industry (SEV), the commerce (ESEE), tourism (SETE), the professionals and craftsmen (GSEVEE) and the workers (GSEE) as well as the Ministry of Labour: their role is to participate in the Institutional body for the undeclared work.</p> <p>The ministries of Labour, Finance and the Independent Authority of Public Revenue: their role is via a Memorandum of Understanding to exchange data in order to estimate the risk of undeclared work of companies, to crosscheck the employment statements and to perform joint controls.</p> <p>The Ministry of Labour, the United Body for Social Insurance, the National Employment Agency and the Labour Inspectorate: their role is to improve interoperability of their databases, so as to create consistent registries for the detection of undeclared work.</p>
<ul style="list-style-type: none"> • Scope (regional, sectoral, national or cross-border) 	<p>National</p>
<ul style="list-style-type: none"> • Results 	<p>It is a 3 year plan starting from 1/1/2017 to 30/12/2020. All the relevant material (reports, working documents, publications, legislation) is uploaded on the special website www.adilotiergia.gr The latest document is a Diagnostic Report on False Self-Employment in Greece and Recommendations for Reform (2019)</p>
<ul style="list-style-type: none"> • How it combats undeclared work 	<p>New strategy of the Labour Inspectorate for combating undeclared work: new IT system for detecting high risk companies with respect to undeclared work, targeted inspections, training of the inspectors on the issue of tackling undeclared work.</p> <p>Development of key performance indicators for all public entities involved in tackling undeclared work. These indicators will be cascaded down to unit level and individual level targets within and across the various public entities.</p> <p>Common tax and social insurance contributions collection.</p> <p>Website with information about undeclared work and helpdesk</p>
<ul style="list-style-type: none"> • Extent to which it brings Undeclared Work in its various forms and falsely/wrongly declared work including bogus self-employment into declared work 	<p>Provision of information and advice for business to formalize by setting up a new helpline supported by the Ministry of Labour and the Labour Inspectorate.</p>
<ul style="list-style-type: none"> • Extent to which it prevents Undeclared Work 	<p>New framework based on prevention, company viability and motivation for declaring the workers.</p>

	The Minister of Labour in 2019 created a new "architecture" in the system of sanctions for undeclared work based on objectivity, transparency, clarity and simplicity, but also on the digital management of fines and the protection against possible symptoms of corruption
<ul style="list-style-type: none"> Extent to which it drives changes in behaviour of costumers/consumers, workers and employers 	Public awareness campaigns for the benefits of declared work among both citizens and business.
The learning points	The project to fight undeclared work is a non stop process which requires joined forces of all the stakeholders involved and a balanced approach combining incentives with compliance measures

Malta

The title of the success story (in English)	Job Borkerage Scheme
<ul style="list-style-type: none"> Country/countries 	Malta
<ul style="list-style-type: none"> Sector 	All sectors
<ul style="list-style-type: none"> Organisation(s) 	Administered by Jobsplus – Malta’s national employment agency
<ul style="list-style-type: none"> Objective 	Eliminate precarious and undeclared work among migrants and refugees
<ul style="list-style-type: none"> Short sentence summarising the story 	Migrants and refugees will have the right and opportunity to work under the right conditions, and subject to all the legal provisions covering employment in Malta.
The story	An applicant for asylum can only enter employment or carry on business with official consent. Thus, currently, migrants are only able to be unofficially “employed” for very short periods, often on a day-to-day basis. Frequently the pay of these short-term employees receive is below current rates, thus exposing them to continuous abuse and exploitation. In the budget for the 2017 fiscal year, the government made a commitment to implement the scheme, known as the Job Brokerage Scheme.
<ul style="list-style-type: none"> Description of how the measure/activity/tool/etc. operates in practice 	Operators interested in purchasing short-term labour services can meet their needs by sourcing such service providers from one of the two Job Brokerage Offices. Such vouchers shall be received by the service providers/workers in exchange for their labour services. Finally, service providers shall cash in their vouchers at the Job Brokerage Offices. The offices will be responsible for the payment of social security contributions on behalf of the labour market service providers.
<ul style="list-style-type: none"> New or innovative element 	
<ul style="list-style-type: none"> Context driving its implementation 	Addressing undeclared and precarious work for short-term services by migrant/refugee workers
<ul style="list-style-type: none"> Name(s) of industry organisations /bodies/ authorities involved (names can remain anonymous if explicitly requested). Indicate respective 	Jobsplus Malta

roles, including lead entity.	
• Scope (regional, sectoral, national or cross-border)	National
• How it combats undeclared work	Ensure that provision of services is registered, that it is not paid below established minimum income, and social security contributions are affected.
• Hyperlink to further information, if available	www.jobsplus.gov.mt

Austria

The title of the success story (in English)	Registration of Employees before they start to work
• Country/countries	Austria
• Sector	All sectors
• Organisation(s)	Austrian Government
• Objective	
• Short sentence summarising the story	Employers must register new employees before their first day at work.
The story	
• Description of how the measure/activity/tool/etc. operates in practice	<p>Since 1.1.2008 all employees (employees, freelancers, case-by-case employees, etc.) must be registered at the responsible regional health insurance fund before the start of work.</p> <p>This measure was implemented to prevent social fraud and combat undeclared work.</p>
• New or innovative element	<p>Since 1.1.2019 the following data must be disclosed by means of electronic data transmission:</p> <ul style="list-style-type: none"> -Data of the employer (contribution account number etc.), -name of the employee, -insurance number or the date of birth, -day of the start of employment, -scope of insurance (partial or full insurance) -Employment sector (blue-collar worker, white-collar worker) -beginning of the company pension scheme and -if there is a free contract of employment <p>All other data will be announced by the first transmitted monthly contribution base notification, which concludes the registration.</p> <p>Only in exceptional cases the registration can be made by fax or telephone.</p> <p>The new on-site registration is only possible under the following conditions:</p> <ul style="list-style-type: none"> -the person required to register has no computer equipment or Internet access and payroll accounting is not performed by an external agency, or

	<ul style="list-style-type: none"> -the declarant has payroll accounting performed by an external office, but this office is no longer available (e.g. work is started outside the office hours of the tax advisor), or -the work started in an establishment which has no computer equipment (e.g. construction site), or -when it was proven that a substantial part of the IT system had failed for a long time.
• Results	The "value added" of undeclared work has declined in recent years.
• Social, economic and financial impact	Entrepreneurs were able to implement the requirements with little bureaucratic burden.
• How it combats undeclared work	Violations of the reporting obligation lead to expensive administrative penalties. Likewise, the Austrian regional health insurance fund can levy additional contributions and the unpaid wage taxes have to be refunded.

Some additional provisions in Austria:

- › In the case of undeclared work while receiving unemployment benefits, one is required to submit control reports to the employment offices. Without justification received unemployment benefits can be reclaimed by the offices and a fine is imposed.
- › Cash register obligation: A cash register is any electronic recording system used for the daily tally of proceeds and documentation of individual cash takings. The cash register obligation was implemented in 2016 in Austria as a method to eliminate illicit money in cash transactions. Entrepreneurs must use an electronic cash register in case of a net annual turnover of € 15,000 per operation, provided that the cash transactions (incl. debit and credit card payments) exceed € 7,500 net per year. Hotels and Restaurants usually belong to companies with such a turnover. Since 2017 cash registers must also be made tamper-proof. All cash registers used so far needed an update to the regulations of the cash register security regulation and additionally all companies need one or more signature creation units (cash register chip). In addition, the cash register must be registered with the current update and the cash register chip on "FinanzOnline" and the start document of the cash register system must be checked electronically by means of an app of the Ministry of Finance. Ignoring the cash register obligation can be punished with up to € 5.000,-. Missing records can also lead to an estimation of the turnover (=tax base) by the authority.

However, the introduction of this legal regulation in Austria was associated with a considerable financial and bureaucratic burden for entrepreneurs. Moreover, the expected additional tax revenues could not be achieved so far.
