



Establishing a European platform to combat undeclared work

Position paper – September 2014¹

Undeclared work in Europe undermines the European ideals of the rule of law, security, solidarity, social and fiscal justice, free market competition and the free movement of workers. Therefore, the setting up of a European Platform to combat irregular employment must be welcomed. The elimination of undeclared work in Europe would be a great achievement.

Stefano Palmieri, Rapporteur,
EESC opinion on 'Undeclared work – European platform'

Introduction

The EU defines undeclared work as all paid activities that are lawful in themselves, but are not declared to public authorities. It takes place across Europe – although it is more prevalent in some countries than others – and undermines working conditions, competitiveness, and public finances. The European Economic and Social Committee believes it is time to bring undeclared work “out of the shadows” and take tough action against it.

While it is hard to make an accurate assessment of the extent of the problem, a 2013 study claimed that the shadow economy in Europe is worth over €2.1 trillion². According to research³ by the European Foundation for the Improvement of Living and Working Conditions (Eurofound), almost 20% of Europeans have carried out undeclared work in recent years, including employees who are paid partly in cash, or work for family or friends. In the current crisis, there are fears that the phenomenon will increase: tough austerity measures are linked to larger shadow economies, says Eurofound. In southern Europe, four out of 10 people say they do undeclared work because they cannot get a regular job.

Undeclared work deprives workers of social protection, puts their health and safety at risk and lowers labour standards. It also undermines fair competition for businesses... In the end, everybody loses.

László Andor, EU Employment Commissioner

What the European Union is doing

Back in April 2012, the EU Employment Package underlined that transforming informal or undeclared work into regular employment could help to reduce unemployment. In July 2013, the Commission launched a consultation with trade unions and employers' representatives, who agreed that firm action should be coordinated at EU level.

In April 2014, the European Commission proposed setting up a European Platform on the prevention and deterrence of undeclared work, to improve cooperation between Member States. National labour inspectorates, social security, tax and migration authorities, and employers' and employees' representatives at European level will be able to share experience and good practice. Until now, the approach to undeclared work has been patchy across the EU. Representatives from the Eurofound, the European Agency for Safety and Health at Work, and the International Labour Organisation would take part as observers.

The best way to ensure that the platform is steered in the right direction is to secure a constant flow of information from representatives of cross-industry social partners at EU level and social partners in sectors with high levels of undeclared work, and of SME organisations, the professions and the social economy.

Ana Bontea, Co-rapporteur,
EESC opinion on 'Undeclared work – European platform'

The EESC position

In a new opinion, the EESC welcomes the launch of a European platform to combat undeclared work, in line with its previous calls for a coordinated EU strategy. The mandatory involvement of all Member States will enable the platform to tackle issues like cross-border mobility and undocumented workers from third countries. Indeed, the Committee would like to see its powers extended to allow it to recommend EU or national legislation, while recognising that the main responsibility for tackling undeclared work rests with Member State governments.

1. Disclaimer: This position paper is based on the EESC draft opinion approved by the relevant section and does not take account of any further amendments introduced at the plenary session.
2. The Shadow Economy in Europe 2013, A.T. Kearney, Visa and Friedrich Schneider, PhD, Johannes Kepler University in Linz, Austria
<http://ec.europa.eu/digital-agenda/futurium/sites/futurium/files/futurium/library/Schneider%20-%202013%20-%20The%20Shadow%20Economy%20in%20Europe%20%2C%202013.pdf>
3. Data collected in 2008

"It would be helpful to create a positive environment for businesses and workers in which the costs of implementing the rules are reduced, administrative and fiscal procedures are revised and simplified, and regulations on labour, safety in the workplace, seasonal and casual work and new forms of work are improved," says the opinion. The platform should not duplicate existing initiatives or add extra red tape or onerous reporting duties.

The EESC also calls for the social partners, and civil society organisations with expertise in the problem of undeclared work, to take part as of right. The platform's meetings should be carefully prepared, its results widely distributed, and its activities totally transparent.

A range of instruments will be needed to tackle undeclared work, including tax incentives, inspections and sanctions to combat unfair business practices, and smart regulation that creates a stable legal framework and minimises the cost of implementation, says the EESC. "Tax incentive policies can play an important role ... with tax breaks rewarding behaviour that upholds the rules and helps to bring undeclared work into the open."

Knowledge about undeclared work in Europe and ways to prevent it remains incomplete. The platform should put in place monitoring and evaluation procedures, and Eurofound could play a specific role in setting up an interactive database on best practices across the EU.

In light of its record of activity on the problem of undeclared work, the EESC believes it should also have observer status on the platform. The opinion highlights the need to raise public awareness about the problem – and this can be done best through civil society, and joint action by the EESC and national economic and social councils.

Bogus self-employment

Bogus self-employment is different from undeclared work. It occurs when a worker, whose job is the same in all respects as that of an employee, is registered as self-employed instead of employed – usually to avoid social security costs. The Commission calls this 'falsely declared work', and it has a similar impact to undeclared work because it also undermines workers' protection, fair competition and public budgets.

But since there is no EU-wide legal definition of self-employment, it is difficult to adopt a single strategy to counter abuses. In a 2013 opinion on 'Abuse of the status of self-employed', the EESC called for reliable regulation based on a definition of bogus self-employment, in order to protect genuinely self-employed people and micro-businesses from unfair competition. The European Court of Justice, while reiterating Member States' responsibility for dealing with this issue, has already drafted guidelines for general definitions of employment and self-employment.

Scope of the problem

The variety and complexity of undeclared and falsely declared work means that it encompasses a wide range of people: from paid family helpers and workers who take on undeclared second jobs to irregular immigrants forced to work in the shadow economy. Within Europe it affects different sectors to different degrees, including agriculture, construction, retailing, catering and hospitality, care and domestic services, and small-scale manufacturing and repair activities.

Globalisation means that the phenomenon of undeclared work cannot be successfully tackled by individual governments. The availability of undeclared work is a potential 'pull factor' encouraging irregular immigration, and for people in this situation it can be the sole means of survival. "The involvement of irregular immigrants in undeclared work is a serious problem that must be tackled as part of the overall strategy to counter irregular immigration," states the opinion.

While promoting cooperation among Member States, the platform will play a role in safeguarding European values of solidarity and social justice, as well as the EU's fundamental freedoms of movement. Casting light into the shadow economy can also help to create better jobs and drive economic recovery, concludes the opinion.

Further information

EESC opinions: www.eesc.europa.eu/?i=portal.en.search&q=undeclared+work

European Commission Platform: <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2055&furtherNews=yes>

European Foundation for the Improvement of Living and Working Conditions (Eurofound) survey:
www.eurofound.europa.eu/publications/htmlfiles/ef13243.htm

Eurobarometer report: http://ec.europa.eu/public_opinion/archives/ebs/ebs_402_en.pdf