

## I

*(Information)***COUNCIL****Council resolution on transforming undeclared work into regular Employment**

(2003/C 260/01)

THE COUNCIL OF THE EUROPEAN UNION,

Whereas the European Council at successive meetings — Luxembourg, Lisbon, Stockholm, Nice, Barcelona, Brussels — reiterated that the strategy for more and better jobs must remain the top priority for the European Union and its Member States;

Whereas the Commission Communication on Undeclared Work<sup>(1)</sup> indicated that a comprehensive targeted strategy, involving a policy mix based on prevention, is essential if combating undeclared work is to be effective, and invited Member States to regard combating undeclared work as part of the overall Employment Strategy;

Whereas the Council and the representatives of the Governments of the Member States, meeting within the Council of 22 April 1999 adopted Resolution 1999/C 125/01 on a Code of Conduct for improved cooperation between authorities of the Member States concerning the combating of transnational social security benefit and contribution fraud and undeclared work, and concerning the transnational hiring-out of workers<sup>(2)</sup>;

Whereas the Council Decision on Guidelines for the Employment Policies of the Member States adopted a specific guideline on transforming undeclared work into regular employment;

Whereas the Ministers for Employment and Social Affairs of the European Union, at their informal meeting in Varese on 11 July 2003, recalled that transforming undeclared work into regular employment would contribute to achieving full employment, improving quality and productivity at work, strengthening social cohesion and inclusion, eliminating poverty traps and avoiding market distortions;

Whereas, given the heterogeneous nature of undeclared work, it is difficult to estimate the scale of the problem although studies estimate the size of the informal economy on average at between 7 % and 16 % of EU GDP;

Whereas undeclared work has strong implications for workers, for business, for consumers, for gender equality and for social protection systems;

Whereas the Commission, in its Communication of 3 June 2003<sup>(3)</sup> on Immigration, Integration and Employment, stated that, as sectors of undeclared work and illegal immigration feed on one another, there is a clear link between general policies to combat both undeclared work and illegal immigration;

Whereas transforming undeclared work into regular employment as part of the effective implementation of the Employment Guidelines requires active participation by the social partners, at all stages, from designing policies to their implementation;

Whereas the social partners in their multi-annual work programme agreed to hold a seminar on undeclared work in 2005:

## 1. RECALLS:

- 1.1. Employment Guideline No 9 on undeclared work, as adopted on 22 July 2003;

'Member States should develop and implement broad actions and measures to eliminate undeclared work, which combine simplification of the business environment, removing disincentives and providing appropriate incentives in the tax and benefits system, improved law enforcement and the application of sanctions. They should undertake the necessary efforts at national and EU level to measure the extent of the problem and progress achieved at national level.'

- 1.2. the 1998 Commission Communication on undeclared work, in which it is defined as 'any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account differences in the regulatory system between Member States'.

## 2. CALLS ON MEMBER STATES:

- 2.1. To consider this Resolution as a reference framework within which Member States can develop and implement policies in the context of the European Employment Strategy while respecting national circumstances and priorities;

<sup>(1)</sup> COM(1998) 219.

<sup>(2)</sup> OJ C 125 of 6.5.1999, p. 1.

<sup>(3)</sup> COM(2003) 336 of 3.6.2003.

- 2.2. To take account of the actions outlined in this Resolution in reporting on the principal measures taken to implement their employment policies in the light of the specific guideline on undeclared work in their future National Action Plans;
- 2.3. To work together to examine the common features of undeclared work across the Member States which might best be addressed by a common approach in the framework of the European Employment Strategy;

*PREVENTIVE ACTIONS AND SANCTIONS AIMED AT ELIMINATING UNDECLARED WORK:*

- 2.4. To develop a comprehensive approach in keeping with the European employment strategy based on preventive actions, encouraging all employers and employees to operate within the formal economy and in the context of regular employment; these measures should respect the sustainability of public finance and social protection systems, and may include:

— the creation of a legal and administrative environment which is favourable to the declaration of economic activity and employment, through simplifying procedures and by reducing the costs and constraints which limit the creation and development of businesses, in particular start-ups and small undertakings;

— strengthening incentives and removing disincentives to declare work on both the demand and the supply sides:

— reviewing and, where appropriate, reforming tax and benefit systems and their interaction to reduce high marginal effective tax rates and, where appropriate, the tax burden on low-paid workers,

— setting up suitable employment policies vis-à-vis beneficiaries of social-protection measures which will help them to participate in the regular labour market, and

— reducing the risk of unemployment and poverty traps by eliminating undesirable interactions between tax and benefits systems;

- 2.5. To strengthen surveillance, where appropriate with the active support of the social partners, and the application of appropriate sanctions, in particular in respect of those who organise or benefit from clandestine labour, whilst ensuring appropriate protection for the victims of

undeclared work, through cooperation between the relevant authorities (inter alia tax offices, labour inspectorates, police), according to national practice;

- 2.6. To strengthen, in the context of an improved law-enforcement capability and having regard to European and national legislation protecting the rights of the individual, transnational cooperation between competent bodies in different Member States, as far as transnational economic activities are concerned, in particular cooperation between the competent bodies designated by the Member States with a view to combating social security fraud and undeclared work, in accordance with Resolution 1999/C 125/01 of the Council and of the representatives of the Governments of the Member States, meeting within the Council;

- 2.7. To raise social awareness in order to enhance the efficacy of this mix of measures, through providing information to the public about the negative implications of undeclared work for social security and the consequences of undeclared work for solidarity and fairness;

*NECESSARY EFFORTS TO MEASURE THE EXTENT OF THE PROBLEM AND PROGRESS ACHIEVED:*

- 2.8. To improve knowledge about the extent of undeclared work by estimating the scope of the informal economy and undeclared work at national level, on the basis of such data as is available to Social Security Institutions, Tax Authorities, Ministries or National Statistical Offices;

- 2.9. To contribute to the development, as appropriate, of the measurement of undeclared work at EU level in order to gauge progress in achieving the objective of transforming undeclared work into regular employment;

- 2.10. To seek cooperation between National Statistical Offices on methodology and foster the exchange of expertise and know-how on this issue.

3. INVITES THE SOCIAL PARTNERS:

at European level:

- 3.1. To consistently address the issue of undeclared work in the context of their jointly agreed multi-annual work programme;

- 3.2. To further deal with undeclared work at sectoral level in the context of the sectoral social dialogue committees;

at national level:

3.3. To promote the declaration of economic activity and employment and combat the incidence of undeclared work through awareness-raising and other actions such as, where appropriate, collective bargaining undertaken in accordance with national traditions and practice, in ways which contribute inter alia to the simplification of the business environment, particularly as far as small and medium-sized enterprises are concerned.

4. INVITES THE EUROPEAN COMMISSION:

4.1. To highlight developments on the basis of the experience of Member States in the context of the European Employment Strategy, including through the organisation of peer reviews;

4.2. To assess methodological improvements in the description of the problem and monitor progress taking into account recent research on the subject.

## COUNCIL CONCLUSIONS

of 20 October 2003

on open coordination for adequate and sustainable pensions

(2003/C 260/02)

THE COUNCIL OF THE EUROPEAN UNION

RECALLING THAT:

(1) The European Council, in accordance with the integrated socio-economic strategy defined in Lisbon in March 2000 and in response to the first Joint Report by the Commission and the Council on Adequate and Sustainable Pensions, stressed the need for maintaining the momentum for cooperation in this area through continued application of the open method of coordination and called for further reforms focusing in particular on increasing employment rates for older workers.

(2) The need to accelerate the reform of pension systems with the aim of ensuring that they are both financially sustainable and meet their social objectives, also through a gradual increase by 2010 of about five years in the effective average age at which people cease work in the European Union, was especially underlined by the Barcelona European Council.

(3) The Joint Report by the Commission and the Council on 'increasing labour participation and promoting active ageing' (March 2002) made a strong plea for a preventive and lifecycle approach in the framework of a comprehensive and integrated strategy to tackle the challenge of ageing populations and looked at all factors enabling people to enter the labour market and workers to remain longer at work.

(4) The Joint Report by the Commission and the Council on Adequate and Sustainable Pensions, having examined the various policies implemented by the Member States, underlined how balanced progress in addressing both social and financial concerns is the key to ensuring the political acceptability of pension reforms and invited Member States to maintain the impetus of the reform process and to implement credible and effective strategies;

raising the effective retirement age and hence the employment rate for older workers represents a powerful tool for addressing both concerns.

(5) The future adequacy of pensions in some Member States also increasingly depends on the ability to earn sufficient supplementary pension rights, but this is made difficult for people who change jobs or interrupt their careers by conditions for the acquisition, preservation and transfer of occupational pension rights which may also represent major obstacles to the mobility of workers; the Commission has addressed a consultation document on this matter to the social partners.

(6) The Commission Communication 'Strengthening the social dimension of the Lisbon strategy: streamlining open coordination in the field of social protection' proposed that the open method of coordination for pensions should be pursued after 2006 within a streamlined framework, on the basis of an evaluation of work undertaken in the different processes in the social protection domain, including that of pensions.

(7) The Opinion of the Social Protection Committee on streamlining strongly endorsed the objective of strengthening the social dimension of the Lisbon Strategy and stressed the need for continued public visibility of the different elements of the work developed to date on social protection policies, including on pensions; the Social Protection Committee has also invited the Commission to indicate how the mutual learning aspect of the open method of coordination can be reinforced in the area of pensions.

(8) Ways of improving and strengthening cooperation on pensions, based on the open method of coordination, were discussed during the Informal meeting of Employment and Social Policy Ministers in Varese on 11 July 2003,