

**Opinion of the Committee of the Regions — An European Platform Against Undeclared Work**

(2014/C 415/08)

<b>Rapporteur</b>	Dainis Turlais (LV/ALDE), Chairman of the Security, Corruption Prevention and Public Order Issues Committee, Riga City Council
<b>Reference document</b>	Proposal for a Decision on Establishing an European Platform to Enhance Cooperation in the Prevention and Deterrence of Undeclared Work COM(2014) 221 final

**I. GENERAL COMMENTS**

## THE COMMITTEE OF THE REGIONS

1. welcomes the Commission's proposal relating to an European platform against undeclared work and recognises that this phenomenon must be fought in a coordinated, united manner so as to maintain high standards of employment in the European Union, to avoid serious social and economic consequences and to resolve problems related to the mobility of workers, as well as to make fuller and more effective use of human capital;
2. supports the proposal to include bogus self-employment within the scope of the platform. Such inclusion is essential, as falsely declared self-employed work, the purpose of which is to evade legal or fiscal obligations, causes harmful effects similar to those of undeclared work, in particular on working conditions, social security systems and their long term funding;
3. recognises that the European platform proposed for enhancing cooperation aimed at preventing and deterring undeclared work is a tangible contribution to the effort currently being made towards finding innovative solutions so as not only to raise the employment rate and achieve the objectives of the Europe 2020 strategy but also to improve the quality of employment and job security in the European Union;
4. notes that the Eurofound report <sup>(1)</sup> stresses that 'there is a strong correlation between the wider austerity measures pursued and the size and growth of the undeclared economy'; therefore regrets the disparity between the modest economies achieved through austerity measures and the potential economies which could be achieved by combating undeclared work;
5. agrees with the Commission that undeclared work has a grave budgetary impact in that it causes a drop in tax receipts and social security contributions and, by extension, has negative repercussions on employment, productivity, working conditions, the development of skills and lifelong learning, ultimately leading to diminished pensions rights and more limited access to healthcare; underlines that undeclared work poses a serious threat to socio-economic cohesion;
6. stresses that these matters are of particular importance to local and regional authorities, as a drop in tax receipts has a negative influence on the budget receipts of local and regional authorities whilst increasing their expenditure aimed at ensuring the basic needs of citizens. The short and long-term effects of undeclared work include lower wages in the given labour market, and directly for the people undertaking such work: lack of healthcare, social security, or considerably lower pensions than in the case of people employed legally. Consequently, authorities affected by the problem of undeclared work are less able to expand the range of services they provide to the public and to improve their quality in the long term;
7. regrets that the Commission proposal does not mention the importance of local and regional authorities or of the Committee of the Regions itself, and reaffirms that it is often the local and regional levels that are closest to job seekers and employers, and that the labour market is primarily local in nature <sup>(2)</sup>;

<sup>(1)</sup> <http://www.eurofound.europa.eu/pubdocs/2013/243/en/1/EF13243EN.pdf>

<sup>(2)</sup> Opinion Cdr 5278/2013 on *Enhanced Cooperation between Public Employment Services*.

8. in this context, calls on the Commission to recognise that local and regional authorities have an important role to play in combating undeclared work if we consider the cooperation that already exists between local authorities and employers' organisations, workers' organisations and employment bodies, as well as the good practices in the field developed at local and regional level. In fact, action by local players is key to the success of the platform, since such bodies are best placed for following local developments and understanding the background to local people's lives. We could also, along the lines of the EURES network, include civil society partners with a view to expanding the platform's sphere of action;

9. considers that the platform, the purpose of which is to exchange information and good practices and to lay down common principles, could provide significant added value in the light of the current economic and financial crisis and the need to put the available human and economic resources to use as efficiently as possible. The platform is likely to encourage coherent planning of the measures to be taken with a view to combating undeclared work, whilst taking account of the widespread nature of the phenomenon and understanding, at the same time, that eliminating it requires specific, targeted measures;

## II. POLICY RECOMMENDATIONS

10. has reservations about the Commission's failure to provide a more substantive explanation regarding the compatibility of the proposed mandatory participation of Member States in the platform with the legal basis for the proposal, Article 153 of the Treaty on the Functioning of the European Union, which only allows measures designed to encourage cooperation between Member States; also notes that the Commission's assessment of the proposal's compliance with the principles of subsidiarity and proportionality merely justifies the choice of legal instrument (a decision of the European Parliament and the Council) and cites the overall added value of the proposal, rather than justifying mandatory participation in the platform; therefore has reservations regarding the compliance of the proposal's mandatory nature with the principle of subsidiarity;

11. stresses the need to implement accessible and effective measures without delay. These should be carried out by all Member States so as to prevent undeclared work and bogus self-employment;

12. notes that, to achieve the platform's objectives in practice, it would be useful to draw on the knowledge and experience of local and regional authorities, given that they cooperate with employment services, social security bodies, interested parties, and formal and informal citizens' networks, and given that they have knowledge and direct experience of the reasons for the existence of the shadow economy at local and regional level;

13. stresses that, when adopting strategies at regional or European level to raise awareness of the issue of undeclared work, the platform must consult with representatives of local and regional authorities so as not to be at cross purposes with those that local and regional authorities have drawn up and so as not to cause additional administrative and financial burdens. For this reason, local and regional authorities should be guaranteed greater freedom as regards the nature of their participation in the work carried out by the platform;

14. points out that undeclared work is a particularly harmful phenomenon: it deprives the worker of the ability to benefit from appropriate healthcare if he is the victim of an occupational accident, falls ill or contracts an occupational disease, and also of the welfare benefits to which social security contributors are entitled; it also exposes workers to the risk of poverty in retirement, whilst at the same time reducing the funding available to enhance the quality and range of public services. Moreover, it is often women and adolescents who are involved in undeclared work, which is utterly unacceptable for Member States of the European Union;

15. in particular, draws attention to the need to promote information and education campaigns to raise public awareness of the negative aspects of undeclared work so that the various segments of the public, and in particular young people, are well informed of the extent of this phenomenon and its negative repercussions for national economies and the standard of living of citizens, working conditions, lifelong social security and the capacity of local and regional authorities to expand the range of services they provide and enhance the quality of those services; underlines that the responsibility lies with the individual as well as with a potential employer;

16. points out that, considering the direct link they have with the population and their cooperation with employers based in their area, local and regional authorities could, with support from national government, provide a significant contribution in detecting undeclared work and helping workers, particularly the most vulnerable groups, to become integrated into the declared labour market;

17. points out that it is important not only to combat undeclared work, but also to reduce the attractiveness of this type of activity and promote legal employment by reducing, where appropriate, the tax and administrative burden;

18. reiterates that it is necessary to combat undeclared work by looking at the wider context of migration, as opportunities to do such work are one of the factors that encourage the inflow of illegal migrants and their exploitation on the labour market <sup>(3)</sup>;

#### ***Composition, objectives and activities of the platform***

19. welcomes the fact that the social partners, the European Foundation for the Improvement of Living and Working Conditions (Eurofound), the European Agency for Safety and Health at Work (EU-OSHA), the International Labour Organization (ILO) and the EEA countries have all been given observer status in the platform, and calls for this same observer status to be granted to the Committee of the Regions, under Article 1(3) of the proposal, as representative of Europe's local and regional authorities;

20. considers that a top-down approach should be avoided and that action should be taken to tackle the social causes of undeclared work at local level by adapting measures to different social, economic and geographical situations;

21. welcomes the proposal to use effective tools for the platform's work: knowledge bank, mutual trust and accumulation of experience, joint training and staff exchanges, and common guidelines and operating principles. In the current economic context, these forms of cooperation take on particular importance by offering the opportunity to use human and financial resources more efficiently;

22. highlights the importance of promoting projects between and within Member States for the exchange of data between public bodies working in the areas of employment and social support, so as to improve knowledge about the problem and make it easier to identify cases of fraud;

23. supports the stated intention of organising campaigns on undeclared work at European level. Efforts to inform the population of the damage undeclared work and bogus self-employment inflict on the health and safety of workers, welfare systems, national, regional and local budgets and, by extension, society as a whole, need to be stepped up. Given the current scale of euroscepticism in Europe, it would be especially important to improve the knowledge of civil society in the broadest sense of the advantages of coordinating the Member States' employment policies at European level;

24. calls on the Member States to consult local and regional authorities or their representative bodies during the process of appointing a single contact point in each Member State and a possible alternate as a member of the platform;

25. encourages the Member States and their contact points to determine clearly the relevant representatives of local and regional authorities or their representative bodies with whom they will engage in structured dialogue and regularly exchange information on undeclared work so as to ensure that representatives of the national level have access to the knowledge and experience acquired at local and regional level. This way of doing things would also ensure that information on progress made at Member State and EU level effectively reaches the local and regional levels;

#### ***Other measures***

26. considers that the tools used by the platform should also be accessible to local and regional authorities so that they can be effective partners for national bodies in preventing and deterring undeclared work;

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<sup>(3)</sup> Opinion Cdr 9/2012 on *The Global Approach to Migration and Mobility*.

27. encourages the Member States, the European Commission and Eurostat to collect and process more and better-quality data on undeclared work, including from the local and regional levels, so as to improve the understanding of this problem and help resolve it;

28. stresses that it is important to ensure that the aim of developing evaluation tools, indicators and joint comparative analyses is not to assess the situation in the different Member States in a competitive manner by establishing league tables, but rather that these initiatives provide means of detecting undeclared work, making recommendations and improving knowledge of the phenomenon of this type of work in the EU;

29. supports the European Parliament's request to the Commission, as set out in its resolution of 14 January 2014, to introduce and — if appropriate — make available a European social security card, on which could be stored all the data needed to verify the bearer's employment relationship, such as details on social security status and working hours;

30. stresses how important it is for Member States to strengthen their labour inspection resources in order to reach the target of one inspector per 10 000 workers, in line with ILO recommendations, namely through national action plans to improve labour inspection measures, which could if necessary benefit from co-financing under the European Structural Funds;

31. calls on the Commission to issue a proposal for a directive that sets minimum labour inspection standards to be implemented in Member States on the basis of ILO Convention No 81. This directive should establish how the labour inspection system would function as well as the cross-border training of labour inspectors and their powers and obligations.

### III. RECOMMENDATIONS FOR AMENDMENTS

#### Amendment 1

##### Article 1(3)

Text proposed by the Commission	CoR amendment
<p>3) The following may attend the meetings of the Platform as observers under the conditions set in its rules of procedure:</p> <p>a) representatives of the cross-industry social partners at Union level, as well as social partners in sectors with a high incidence of undeclared work,</p> <p>b) a representative of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and a representative of the European Agency for Safety and Health at Work (EU-OSHA),</p> <p>c) a representative of the International Labour Organization (ILO),</p> <p>d) representatives of EEA states.</p>	<p>3) The following may attend the meetings of the Platform as observers under the conditions set in its rules of procedure:</p> <p>a) representatives of the cross-industry social partners at Union level, as well as social partners in sectors with a high incidence of undeclared work,</p> <p>b) a representative of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and a representative of the European Agency for Safety and Health at Work (EU-OSHA),</p> <p>c) a representative of the International Labour Organization (ILO),</p> <p><u>d) a representative designated by the Committee of the Regions.</u></p> <p><del>d)e)</del> representatives of EEA states.</p>

#### Reason

Given the local nature of the labour market and the activities that, amongst those provided for within the platform's role, have a local and regional dimension, such as the adoption of a regional strategy, it is essential that a representative designated by the Committee of the Regions participates as an observer in meetings of the platform in order to represent the Member States' local and regional authorities.

## Amendment 2

## Article 4(1)

Text proposed by the Commission	CoR amendment
<p>(1) For the execution of its mission, the platform shall in particular carry out the following tasks:</p> <p>(a) Improve the knowledge of undeclared work by means of common concepts, measurement tools and promotion of joint comparative analysis and related relevant indicators,</p> <p>(b) Develop the analysis of effectiveness of different policy measures in curbing the incidence of undeclared work, including preventive and punitive as well as deterrence measures in general,</p> <p>(c) Establish tools, for instance a knowledge bank of different practices/measures, including bilateral agreements used in the Member States to deter and prevent undeclared work,</p> <p>(d) Adopt non-binding guidelines for inspectors, handbooks of good practice and common principles of inspections to tackle undeclared work,</p> <p>(e) Develop forms of cooperation increasing the technical capacity to tackle cross-border aspects of undeclared work by adopting a common framework for joint operations for inspections and exchange of staff,</p> <p>(f) Examine ways to improve data sharing in compliance with the Union data protection rules, including exploring possibilities to use of the Internal Market Information System (IMI) and the Electronic Exchange of Social Security Information (EESSI),</p> <p>(g) Develop permanent training capacity for enforcement authorities and adopt a common framework for carrying out joint trainings,</p> <p>(h) Organise peer reviews to follow Member States progress when fighting undeclared work, including support for the implementation of country-specific recommendations related to fight or prevent undeclared work issued by the Council,</p> <p>(i) Increase awareness of the problem by carrying out common activities such as European Campaigns and adopting regional or EU wide strategies, including sectoral approaches.</p>	<p>1) For the execution of its mission, the platform shall in particular carry out the following tasks:</p> <p>(a) Improve the knowledge of undeclared work by <u>drawing up a methodology for measuring undeclared work</u>, by means of common concepts, measurement tools and promotion of joint comparative analysis and <u>processing more and higher-quality data</u><del>related relevant indicators</del>,</p> <p>(b) Develop the analysis of effectiveness of different policy measures in curbing the incidence of undeclared work, including preventive and punitive as well as deterrence measures in general,</p> <p>(c) Establish tools, for instance a knowledge bank of different practices/measures, including bilateral agreements used in the Member States to deter and prevent undeclared work,</p> <p>(d) Adopt non-binding guidelines for inspectors, handbooks of good practice and common principles of inspections to tackle undeclared work,</p> <p>(e) Develop forms of cooperation increasing the technical capacity to tackle cross-border aspects of undeclared work by adopting a common framework for joint operations for inspections and exchange of staff,</p> <p>(f) Examine ways to improve data sharing in compliance with the Union data protection rules, including exploring possibilities to use of the Internal Market Information System (IMI) and the Electronic Exchange of Social Security Information (EESSI),</p> <p>(g) Develop permanent training capacity for enforcement authorities and adopt a common framework for carrying out joint trainings,</p> <p>(h) Organise peer reviews to follow Member States progress when fighting undeclared work, including support for the implementation of country-specific recommendations related to fight or prevent undeclared work issued by the Council,</p> <p>(i) Increase awareness of the problem by carrying out common activities such as European Campaigns and adopting regional or EU wide strategies, including sectoral approaches.</p>

**Reason**

One way of ensuring the operational effectiveness of the platform is through appropriate decisions based on sound evidence. To that end, a comprehensive database containing comparable, high-quality data is needed. Establishing such a database must be one of the first acts of the platform if it is to fulfil its mission successfully.

**Amendment 3**

## Article 5(2)

Text proposed by the Commission	CoR amendment
<p>2) In appointing their representatives, Member States should involve all public authorities having a role in the prevention and/or deterrence of undeclared work, such as labour inspectorates, social security authorities, tax authorities, employment services and migration authorities, hereinafter referred to as 'enforcement authorities'. They may also, in accordance with national law and/or practice, involve the social partners.</p>	<p>2) In appointing their representatives, Member States should involve all public authorities having a role in the prevention and/or deterrence of undeclared work, such as labour inspectorates, social security authorities, tax authorities, employment services and migration authorities, hereinafter referred to as 'enforcement authorities'. They may also, in accordance with national law and/or practice, involve <u>local and regional authorities and</u> the social partners.</p>

**Reason**

Considering the direct link that local and regional authorities have with the public and their cooperation with employers and authorities responsible for matters relating to employment, undeclared work and social security, it is essential also to highlight the contribution that local and regional authorities make to raising awareness of the problems related to undeclared work and to looking for and implementing solutions to them.

Brussels, 7 October 2014

*The President  
of the Committee of the Regions*

Michel LEBRUN