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Building the future of work together

Undeclared work has a negative impact on workers, businesses and governments and must be tackled urgently

By Michael Freytag

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Undeclared work continues to present a significant labour market challenge within the EU. It impacts workers and citizens and creates a host of macro-economic problems that undermine both business and the economy.

European citizens working in the undeclared economy are effectively outside of the system. They have no job security, no rights and no career progression – with the result that undeclared workers tend to experience lower quality work and working conditions.

For governments, undeclared work obstructs revenues from national insurance, VAT and taxes which undermines the sustainability of social protection systems. It also weakens the power of trade unions and collective bargaining. Undeclared work puts legitimate businesses at a competitive disadvantage compared with businesses operating in the black, while for customers in the undeclared economy there is no insurance if a job is badly done and no guarantee that health and safety procedures have been followed.

Undeclared work is defined as ‘paid activities that are lawful in nature but are not declared to the public authorities.’ This obviously differs across EU member states, depending on the different regulatory systems.

WEC-Europe is an official observer within the European Platform for Tackling Undeclared Work and a strong supporter of its mission to help EU countries deal with undeclared work in its various forms. The Platform brings together relevant social partners, enforcement authorities and other actors in exchanging information and best practice and seeks to increase awareness and drive change by promoting better working conditions and formal employment.

As the private employment services sector, we believe the most effective way to stamp out undeclared works is to turn it into regular work. Creating an environment that is conducive to both workers and employers works to reduce both the supply and demand for undeclared work and our sector is highly effective in driving down levels of undeclared work. Agency work can transform undeclared work into real jobs, supporting businesses to access flexible labour while also taking

workers out of the black economy and into formal employment, with all the attendant rights, benefits and access to training that this brings.

There is a strong correlation between labour market efficiency and the size of the undeclared economy and those countries with efficient, appropriately regulated labour markets enjoy the lowest levels of undeclared work. A key element is the presence of balanced regulation that allows private employment agencies to play their role in supporting the fluctuations in demand and smoothly transitioning workers within sectors and jobs to ensure that they are constantly in work.

There is hard evidence to show that those countries with less restrictive agency work regulation also enjoy lower levels of undeclared work - while those markets which impose more restrictive regulation on agency work have a larger black economy. This is noticeable too in certain sectors of the economy. Europe's construction sector for example, accounts for 19% of all undeclared work in the EU and is also a sector where the agency work sector faces ongoing regulatory restrictions on supplying workers. Other sectors where undeclared work is notably higher than is average in the economy are the cleaning and agriculture industries.

World Employment Confederation-Europe members offer governments a supportive and effective partner in fighting malpractice. Our members operate in a responsible manner and have taken action to reduce undeclared work and stamp out non-compliance with national law in several European countries. We have worked through the ombudsman system in Belgium and in Portugal to drive down undeclared work, while in the Netherlands the collective labour agreement enforcement authority, set up by the social partners offers a powerful force in upholding regulation.

Tackling undeclared work requires balanced policies and regulation. Over-burdensome regulation can drive businesses into the undeclared economy in the same way as inefficient regulation can. Appropriate levels of regulation, which encourage open, inclusive, labour markets will result in a natural reduction in undeclared work – boosting not only labour market participation but also boosting financial contributions to governments which will ultimately find their way back into society to support growth and jobs throughout Europe.

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