

UNDECLARED WORK IN AN ENLARGED UNION

**AN ANALYSIS OF UNDECLARED
WORK:**

**AN IN-DEPTH STUDY OF
SPECIFIC ITEMS**

Employment & social affairs



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Employment Analysis

European Commission
Directorate-General for Employment and Social Affairs
Unit EMPL/A/1

Manuscript completed in May 2004

This report is only available in English. The translations into French and German of the Executive Summary and the Summary are part of this version.

This report was financed by and prepared for the use of the European Commission, Directorate-General for Employment and Social Affairs. It does not necessarily represent the Commission's official position.

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In April of 2003, the European Commission General Directorate for Employment and Social Affairs asked Inregia AB and Regioplan BV to conduct a study regarding the extent and nature of undeclared work in the European Union. The analysis was to focus on the new Member States and several candidate countries, revolving around a number of specific items and aspects of undeclared work.

For that purpose, a network of local expertise on the subject was assembled, enabling the study to draw from the latest research available in each of the countries concerned. These local experts gathered data and performed detailed local analysis crucial for making well-founded assessments of the illusive phenomenon of undeclared work on a regional and pan-European level.

One year later, we can now present the consolidated analysis in this final report to the Commission.

The operative project team has consisted of Dr. Piet Renooy, Mr. Staffan Ivarsson, Dr. Olga van der Wusten-Gritsai and Mr. Remco Meijer. Coordination, operative support and academic control have been provided by Mr. Olle Löfgren and Mr. Peter Zetterström.

The authors would like to thank the members of the expert network including the representatives of the statistical offices and other institutions for their invaluable work. On the matter of statistics, we have benefited particularly from the assistance of Eurostat, as well as Mr. Søren Pedersen of the Rockwool Foundation Research Unit and Mr. Brugt Kazemier of Dutch Statistics. Finally, many thanks to our stimulating contact at the European Commission, Mrs. Els van Winckel.

Malmö 22 May 2004

Staffan Ivarsson

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Executive Summary

This report contains a description and analysis of undeclared work in the EU15 Member States, the new Member States and the candidate countries. The principle objective of the research was to clarify definitions, measurement methods, estimated sizes, good practices and the gender dimension of undeclared work.

Definitions

A wide array of colourful names has been used to describe the phenomenon of study: hidden, moonlight, parallel, underground-, second, unofficial, and shadow economy are a few examples. Many of these names differ in elements of description they use (work, activities, paid labour etc) or in the distinguishing criteria (fiscal, statistical, legal) used. In this study the focus and main element is labour, and we use registration according to national requirements as the criterion for what is to be understood as undeclared work. The definition is: “ *productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States.* ”

This definition strongly coincides with that of underground production and production of households for own final use in the OECD terminology for the Non Observed Economy.

Measurement methods

Assessing the size and structure of the undeclared work calls for great accuracy. Given its very nature – the fact that it is not observed or registered – it is very hard to obtain reliable estimates. Very often indirect methods are used, in particular monetary methods. Experts of the OECD concluded, in their handbook on measuring the non observed economy, that this kind methods is of very limited use.

Another indirect method, used in some countries, is the labour accounts method. Eurostat sees this method as useful in gaining exhaustiveness of national accounts, but it has many pitfalls in trying to assess the volume of undeclared work in terms of labour units.

During the seminar on undeclared work held in the course of this study, experts agreed on direct methods being preferable for the study of the informal economy. With direct methods, what is referred to in particular is observation, interviews and surveys of the supply side. Not much research of this nature has been done. The most important reason for this appeared to be the fear of obtaining incorrect answers: the importance that should be attached to the results of such research depends to a large extent on the nature of the study, in which the method of questioning and the

degree of anonymity play particularly important roles. Recently promising results were obtained in internationally comparable direct surveys.

Member States (EU15)

Information on the size and structure of undeclared work collected through reliable methods is sparse. Research on this topic is carried out in very few countries. We therefore combined information from statistical offices in several countries with results from the study done by Pedersen (2003) in five European countries, to gain an overview of the incidence of informal economy. The conclusion is that undeclared work in most current Member States is rather modest in extent. Many countries report figures around or far below 5 % of GDP. Exceptions to this rule are found in Southern European countries like Italy and Greece.

Examining the characteristics of undeclared work, participation is dominated by men, often with a regular job, generally skilled workers and part of the dynamic age group between 25 and 45 years of age. Others – like women, students and the formally unemployed – take less favourable positions, earn less and work longer in less attractive jobs. The sector with the highest incidence of informal work is the construction sector. In Pedersen's study, the sector is rivalled only in Germany by agricultural work, including gardening. Next to these two sectors, informal work is found mainly in the hotel and restaurant sector and in personal and domestic services.

There are no general, universal causes for the existence and development of an informal economy. It is brought about by a complex interplay between various variables that varies between countries. Apart from economic reasons like tax burden or rigidity on (labour) markets, trust in and the quality of government play an important role. Furthermore, one should not ignore the role of culture in shaping an informal economy.

The Member States all set out a policy regarding undeclared work, in response to Employment Guideline No. 9. Very much attention is given to measures that simplify rules and regulation and that bring down the administrative burden for employers. Labour market rigidity is also combated in several countries. Additionally, control is tightened in most countries, and new controlling bodies are set up or old ones are strengthened in their work.

In a few countries, like Belgium and Germany, completely new institutional arrangements are developed to undermine the existence of informal labour in certain sectors of the economy, viz. personal and domestic services. Similar initiatives have been taken in France and Denmark in the early 1990's.

New Member States and candidate countries

Regarding the scale and dynamics of undeclared work in the CEE countries, three clear groups can be identified:

1. A low level (8-13 % of GDP) and decreasing share: Czech Republic, Estonia and Slovakia
2. A medium level (14-23 % of GDP) and decreasing share: Poland, Slovenia, Hungary, Lithuania, Latvia
3. A high level (21-22 % of GDP) and increasing share: Bulgaria and Romania

Most of the undeclared work in the post-socialist countries is concentrated in the same sectors as in the EU in general. The difference is in the relative share of sectors and in the processes driving their development. Among the most interesting characteristics of undeclared work in the CEE countries, the following should be mentioned:

- The importance of the retailing and hotel/restaurant sectors
- The presence of a subsistence economy with a focus on agriculture, more typical for developing countries
- The relatively high importance of professional services
- The relatively low incidence of informal economy in manufacturing

Characterising the forms of informal economy in the CEE countries, special attention should be paid to the wide-spread practice of “envelope wages”, when underreporting income becomes as important as non-reporting. Corruption and interconnection with legal business are also important characteristics.

Factors explaining undeclared work in the CEE countries may be subdivided into three major groups: 1) socio-economic/market, 2) institutional and 3) ”societal”, which include cultural traditions and the relationship between individuals, society and state. The latter may be subdivided into those, which relate to the recent socialist times and those, which reflect long-term cultural traditions. The institutional (and partly the economic) factors rather define the short-term developments of undeclared work. The legacy of the socialist administrative and economic culture may be described as a medium-term factor. Together with institutional factors, they may be considered to be part of the transition and therefore be of a temporary character. Historical factors connected with cultural traditions are the most stable long-term factors. The stability of undeclared work in CEE to a large extent depends upon the weight of societal (cultural) factors and the strength of the state and other democratic institutions.

Most of the CEE countries have targeted policies to combat undeclared work and undeclared work, with an emphasis on institutional measures. But there is also a small group of countries (Poland, Hungary and Slovenia) with a long history of informal economy, which now follow the minoritarian *laissez-faire* approach. Here the present level of undeclared work is tolerated by

politics and politicians, who see it as a measure against mass unemployment, preventing socio-economic tensions, and no serious action is launched against it.

One of the most important success factors in combating undeclared work is the general success and stability of economic development, political stability, integration in Western markets (including the presence of foreign capital) and the liberalization of foreign trade.

Gender

In most European countries, be it western or eastern, women participate less in undeclared work than men do. Especially in the new Member States and candidate countries in this study, female participation rises with educational level. Women are mostly active in sectors with a lot of traditionally “female tasks”. Informally employed women are found in the service sector (personal services, care), in the hotel and restaurant business, health, education, commercial cleaning and so on. Few women are found in well-known informal sectors such as construction and repair.

The working conditions of women in undeclared work are, overall, less favourable than those of men. Women are employed in less autonomous jobs, earn less and tend to have the informal job for economic necessity, rather than for earning extra cash on the side like men do. Women’s jobs have a more permanent character than men’s jobs in undeclared work.

Dr. Pfau-Effinger connects the incidence and types of female informal employment to the different types of welfare states. In the egalitarian social democratic welfare regimes there is neither the culture, nor the need (thanks to state provisions like childcare) to rely on informal female (domestic) labour. In conservative welfare states, like (former) West Germany, the culture and the demand for domestic labour lead to the growth of an informal economy of considerable size in the households sector. Finally, in the countries of the so called Latin Rim, culture is very much opposed to women working formally, and is strongly geared towards keeping them at home to perform family tasks.

Unfortunately, little empirical evidence on female participation in undeclared work is available at the moment. Ongoing research by Dr. Pfau-Effinger will shed more light on the subject.

Résumé

Ce rapport décrit et analyse le travail non déclaré dans les 15 États de l'Union européenne, dans les nouveaux États membres et dans les pays candidats. L'objectif principal de la recherche a été d'éclairer les définitions, les méthodes de mesure, l'étendue estimée, les bonnes pratiques et la répartition par sexe du travail non déclaré.

Définitions

Un large éventail d'expressions imagées ont été utilisées pour décrire le phénomène qui fait l'objet de notre étude : économie cachée, crépusculaire, parallèle, souterraine, inofficielle, ou fantôme, pour ne citer que quelques exemples. Un bon nombre diffèrent quant aux éléments de description (travail, activités, travail rémunéré, etc.) ou dans les critères distinctifs utilisés (fiscaux, statistiques, juridiques). Dans notre étude, nous nous concentrons sur le travail comme notre élément principal, et nous utilisons l'enregistrement conforme aux exigences nationales comme critère définissant le travail non déclaré. La définition est : « toute activité rémunérée de nature légale, mais non déclarée aux pouvoirs publics, compte tenu des différences existant entre les systèmes réglementaires des États membres. »

Cette définition coïncide fortement avec la définition de production souterraine et de production des ménages pour leur propre usage utilisée dans la terminologie de l'OCDE concernant l'économie non observée.

Méthodes de mesure

Une estimation de la dimension et de la structure du travail non déclaré demande une grande précision. Par sa nature même - le fait qu'il ne soit ni observé, ni enregistré - il est très difficile de parvenir à des estimations fiables. Très souvent, des méthodes indirectes sont utilisées, en particulier les méthodes monétaires. Les experts de l'OCDE, lors de la rédaction de leur manuel de mesure de l'économie non observée, ont conclu que ce type de méthodes est d'usage très limité.

Une autre méthode indirecte utilisée dans divers pays est la méthode du comptage de main d'œuvre. Eurostat considère que cette méthode est utile car elle parvient à une exhaustivité des comptes nationaux, mais elle a de nombreux défauts lorsqu'il s'agit d'estimer le volume de travail non déclaré en termes d'unités de main d'œuvre.

Pendant le séminaire tenu pendant cette étude, les experts ont convenu que des méthodes directes étaient préférables pour l'étude de l'économie informelle. Le terme de méthodes directes se réfère spécialement à l'observation, aux entretiens et aux études effectués du côté de l'offre. Une recherche de cette nature n'a pas été très fréquente. La raison la plus importante pour cela s'est avérée être la

crainte d'obtenir des réponses incorrectes : l'importance devant être accordée aux résultats de cette recherche dépend largement de la nature de l'étude, dans laquelle la méthode de questionnement et le degré d'anonymat jouent des rôles particulièrement importants. Récemment, des résultats très prometteurs ont été obtenus dans des études directes comparables sur le plan international.

Les États membres de l'Europe des Quinze

Les informations obtenues par des méthodes fiables concernant l'importance et la structure du travail non déclaré sont rares. La recherche sur ce sujet est effectuée dans très peu de pays. C'est pourquoi nous avons combiné les données des agences nationales de la statistique de plusieurs pays avec les résultats obtenus par Pedersen en 2003 dans son étude sur cinq pays européens pour obtenir une vue d'ensemble de l'incidence de l'économie non officielle. Un bon nombre d'États avancement des chiffres avoisinant ou fortement inférieurs à 5 % du produit intérieur brut (PIB). Les exceptions à cette règle se trouvent dans les pays méridionaux comme l'Italie ou la Grèce.

Si nous considérons la participation au travail non déclaré, nous constatons qu'elle est dominée par des hommes, qui ont souvent des emplois réguliers, sont généralement qualifiés et font partie du groupe d'âge actif entre 25 et 45 ans. Les autres, comme les femmes, les étudiants et les chômeurs officiels, occupent des positions moins favorables, gagnent moins et travaillent plus longtemps à des postes moins intéressants. Le secteur dans lequel on trouve la plus grande part du travail non déclaré est le secteur du bâtiment. Dans l'étude de Pedersen, la seule exception est l'Allemagne où l'agriculture, y compris l'horticulture, dépasse le bâtiment. Après ces deux secteurs, le travail non déclaré est constaté le plus souvent dans l'hôtellerie et la restauration et, bien que Pedersen ne le mentionne pas, dans les services personnels et domestiques.

Il n'existe pas de causes générales et universelles à l'existence et au développement de l'économie informelle. Elle est le résultat d'une interaction complexe entre diverses variables qui diffèrent d'un pays à l'autre. Mises à part les raisons économiques comme le fardeau fiscal ou la rigidité des marchés (de la main d'oeuvre), un grand rôle est joué par la confiance dans le gouvernement et sa qualité. En outre, il ne faut pas oublier le rôle de la culture dans l'apparition de l'économie informelle.

En réponse à la neuvième ligne directrice sur l'emploi, les États membres ont tous instauré une stratégie pour s'adresser au travail non déclaré. Une grande attention est apportée aux mesures de simplification et de régularisation et qui atténuent la charge administrative des employeurs. Plusieurs pays luttent en outre contre la rigidité du marché du travail. Dans la plupart des pays, le contrôle est également resserré, soit en instaurant de nouveaux organismes de contrôle, soit en donnant aux anciens organes plus de pouvoir pour effectuer leur travail.

Dans quelques pays comme la Belgique et l'Allemagne, de nouvelles solutions institutionnelles sont élaborées pour éliminer les causes profondes du travail non déclaré dans certains secteurs de l'économie, c'est-à-dire les services personnels et domestiques. Des initiatives similaires ont été prises en France et au Danemark au début des années 1990.

Les nouveaux États membres et les pays candidats

L'échelle et la dynamique du travail non déclaré des PECO nous permettent d'identifier clairement trois groupes de pays :

1. Les pays dont le taux de travail non déclaré est faible (8 à 13 % du PIB) et en régression : République Tchèque, Estonie et Slovaquie.
2. Les pays dont le taux de travail non déclaré est moyen (14 à 23 % du PIB) et en baisse : Pologne, Slovénie, Hongrie, Lituanie et Lettonie.
3. Les pays ayant un taux élevé et croissant (21 à 22 % du PIB) : Bulgarie et la Roumanie.

Dans les pays post-socialistes, la plus grande part du travail non déclaré se concentre dans les mêmes secteurs que dans l'ensemble de l'Union européenne. La différence réside dans les parts sectorielles et dans les processus qui stimulent leur développement. Parmi les phénomènes les plus intéressants des PECO, citons les suivants :

- l'importance des commerces de détail et de l'hôtellerie-restauration ;
- la présence d'une économie de subsistance concentrée sur l'agriculture, plus caractéristique des pays en développement ;
- une proportion relativement forte de services professionnels ;
- une proportion relativement faible de travail non déclaré dans l'industrie.

Pour caractériser les aspects que revêt l'économie informelle dans les PECO, une attention particulière doit être portée à l'habitude répandue des "salaires sous enveloppe", où le revenu sous-déclaré tend à devenir aussi élevé que le revenu non déclaré. La corruption et la corrélation avec les activités légales sont d'autres caractéristiques importantes.

Les facteurs qui expliquent le travail non déclaré dans les PECO peuvent être répartis en trois groupes principaux : 1. Les facteurs socio-économiques/du marché ; 2. Les facteurs institutionnels, et 3. Les facteurs "sociétaux" qui comprennent les traditions culturelles et les relations entre l'individu, la société et l'État. Ces derniers comprennent à leur tour les facteurs liés au passé socialiste récent et ceux qui reflètent de longues traditions culturelles. Ce sont plutôt les facteurs institutionnels (et, en partie, les facteurs économiques) qui définissent l'évolution à court terme du travail non déclaré. L'héritage de la culture administrative et économique du socialisme peut être classé comme un facteur de moyen terme. Avec les facteurs institutionnels, il peut être considéré comme un élément de la transition et

peut être de caractère temporaire. Les facteurs historiques combinés aux traditions culturelles sont les facteurs de long terme les plus stables. La stabilité du travail non déclaré dans les PECO dépend largement de l'impact des facteurs sociétaux (culturels) et de la force de l'État et d'autres institutions démocratiques.

La plupart des PECO ont des stratégies ciblées sur la lutte contre le travail non déclaré et sous-déclaré, en insistant sur les mesures institutionnelles. Mais il existe aussi un petit groupe de pays (la Pologne, la Hongrie et la Slovaquie) possédant une longue tradition d'économie informelle, qui suivent maintenant l'approche minoritaire du laissez-faire. Dans ces pays, le niveau actuel de travail non déclaré est toléré par la politique et les hommes politiques, qui le considèrent comme une mesure contre le chômage de masse, prévenant les tensions socio-économiques et aucune action sérieuse n'est entreprise pour le contrecarrer.

L'un des principaux facteurs de réussite dans la lutte contre le travail non déclaré, cependant, est le succès général et la stabilité du développement économique, la stabilité politique, l'intégration dans les marchés occidentaux (comprenant la présence de capitaux étrangers) et la libéralisation du commerce extérieur.

Répartition entre les sexes

Dans la plupart des pays d'Europe occidentale ou orientale, les femmes effectuent moins de travail non déclaré que les hommes. La participation des femmes augmente avec le niveau de formation, en particulier dans les nouveaux États membres. Les femmes travaillent le plus souvent dans les secteurs d'activité traditionnellement « féminins ». Les femmes non déclarées se trouvent dans le secteur des services (services personnels, soins), l'hôtellerie et la restauration, la santé, l'enseignement, les entreprises de nettoyage, etc. Peu de femmes se trouvent dans les gros secteurs informels que sont le bâtiment et la réparation.

Les conditions de travail des femmes dans l'économie informelle sont dans l'ensemble moins favorables que celles des hommes. Les femmes sont engagées à des postes moins autonomes, elles gagnent moins et semblent effectuer ce travail non déclaré par nécessité économique plutôt que pour gagner un peu plus à côté, comme c'est le cas des hommes. Les emplois féminins non déclarés ont un caractère plus permanent que les emplois masculins non déclarés.

Prof. Dr. Pfau-Effinger fait la relation entre l'incidence et les types d'emplois féminins non déclarés et les différents types d'États providence. Dans les régimes de protection sociale sociaux-démocrates égalitaires, ni la culture, ni le besoin (grâce aux structures nationales comme la prise en charge des enfants) n'incitent à recourir aux emplois féminins (domestiques) non déclarés. Dans les régimes de protection sociale conservateurs comme l'(ancienne) Allemagne de l'Ouest, la culture et l'offre de

travail domestique ont abouti à une augmentation considérable du secteur domestique. Enfin, les pays de la « frange latine » (ou modèle méditerranéen) ont des normes culturelles qui s'opposent au travail formel des femmes, et tendent fortement à les garder à la maison pour s'occuper de leur famille.

Malheureusement, il n'existe à ce jour que peu de données concrètes accessibles concernant la participation des femmes à l'économie informelle. La suite des recherches du Prof. Dr. Pfau-Effinger apportera plus de lumière sur le sujet.

Zusammenfassende Darstellung

Der vorliegende Bericht enthält eine Beschreibung und eine Analyse der Schwarzarbeit in den EU15-Mitgliedsstaaten, in den neuen Mitgliedsstaaten sowie in den Bewerberländern. Die grundsätzliche Zielsetzung der Untersuchung war die Klarstellung der Definitionen, der Mess-/Bewertungsverfahren, des geschätzten Umfangs, der bewährten Praktiken und der geschlechtsbezogenen Dimension der Schwarzarbeit.

Definitionen

Ein breites Spektrum blumiger Begriffe wird zur Beschreibung des Phänomens der Studie verwendet: verbogene Wirtschaft, Mondlicht-, Parallel-, Untergrund-, Sekundär-, inoffizielle und Schattenwirtschaft sind nur einige Beispiele hierfür. Viele dieser Bezeichnungen unterscheiden sich in den verwendeten Beschreibungselementen (Arbeit, Aktivitäten, bezahlte Arbeit etc.) oder in den verwendeten Unterscheidungskriterien (steuerliche, statistische, rechtliche Aspekte). In dieser Studie steht die Arbeit im Mittelpunkt, wobei wir die Erfassung nach den nationalen Erfordernissen als Kriterium dafür benutzen, was unter Schwarzarbeit zu verstehen ist. Die Definition lautet: *„produktive Aktivitäten, die in Bezug auf ihre Natur dem Recht entsprechen, die den Behörden jedoch nicht gemeldet werden, wobei die Unterschiede in den Regelsystemen zwischen den einzelnen Mitgliedsstaaten Berücksichtigung finden.“*

Diese Definition stimmt auffallend mit der Untergrundproduktion und der Produktion der Haushalte für den Eigenendbedarf nach der Terminologie der OECD für die Wirtschaft im Verborgenen überein.

Mess-/Bewertungsverfahren

Die Bewertung des Umfangs und der Struktur der Schwarzarbeit erfordert höchste Präzision. Angesichts ihrer Natur – der Tatsache, dass sie nicht beobachtbar und erfassbar ist – sind verlässliche Schätzungen nur sehr schwer zu erzielen. Häufig kommen indirekte Methoden zum Einsatz, insbesondere monetäre Verfahren. Experten der OECD kamen in ihrem Handbuch zur Bewertung der Wirtschaft im Verborgenen zu dem Schluss, dass derartige Verfahren nur von sehr begrenztem Nutzen sind.

Eine weitere indirekte Methode, die in einigen Ländern zur Anwendung gelangt, ist die erwerbsstatistische Methode. Eurostat betrachtet diese Methode für nützlich bei der Erfassung erschöpfender nationaler Ergebnisse, sie birgt jedoch viele Gefahren bei dem Versuch in sich, das Ausmaß der Schwarzarbeit nach Arbeitseinheiten zu bewerten.

Während des im Zuge dieser Studie durchgeführten Seminars waren sich die Experten darüber einig, dass den direkten Methoden für das Studium der informellen Wirtschaft der Vorzug zu geben ist. Bei den direkten Methoden, auf die insbesondere Bezug genommen wird, handelt es sich um Beobachtungen, Gespräche und Erhebungen auf der Angebotsseite. Untersuchungen dieser Art wurden bisher eher in geringem Umfang durchgeführt. Der wichtigste Grund hierfür scheint in der Furcht begründet zu sein, falsche Antworten zu bekommen: die Bedeutung, die den Ergebnissen einer solchen Untersuchung beigemessen werden sollte, hängt zum großen Teil von der Art der Studie ab, bei der das Befragungsverfahren und der Schutz der Anonymität eine ganz entscheidende Rolle spielen. In jüngster Zeit wurden vielversprechende Resultate in international vergleichbaren direkten Erhebungen erzielt.

Mitgliedsstaaten (EU15)

Informationen über den Umfang und die Struktur der Schwarzarbeit, die von verlässlichen Verfahren abgeleitet werden können, sind karg. Untersuchungen zu diesem Thema werden nur in sehr wenigen Ländern durchgeführt. Vor diesem Hintergrund haben wir Informationen der Statistischen Ämter der verschiedenen Länder mit den Ergebnissen aus der von Pedersen (2003) in fünf europäischen Ländern durchgeführten Studie kombiniert, um einen Überblick über die Verbreitung der Schwarzarbeit zu erlangen. Dies führt zu der Schlussfolgerung, dass die Schwarzarbeit in den meisten gegenwärtigen Mitgliedsstaaten einen eher mäßigen Umfang aufweist. In den Berichten vieler Länder tauchen Zahlen um oder weit unter 5 % des Bruttoinlandsprodukts auf. Ausnahmen von dieser Regel sind in Ländern Südeuropas wie Italien und Griechenland anzutreffen.

Bei der Überprüfung der Merkmale der Schwarzarbeit kann man feststellen, dass diese von Männern dominiert wird, die häufig einer regulären Beschäftigung nachgehen, im allgemeinen qualifizierte Arbeitskräfte sind und zu der dynamischen Altersgruppe zwischen 25 und 45 Jahren zählen. Andere – wie Frauen, Studierende und frühere Arbeitslose – haben weniger günstige Positionen, verdienen weniger und arbeiten länger in weniger attraktiven Tätigkeiten. Der Sektor mit dem höchsten Aufkommen an Schwarzarbeit ist der Bausektor. In der Studie von Pedersen wird dieser Rang nur in Deutschland durch landwirtschaftliche Arbeit, einschließlich Gärtner-tätigkeiten streitig gemacht. Neben diesen beiden Sektoren trifft man hauptsächlich im Hotel- und Restaurantsektor sowie im privaten und im Haushaltsbereich auf Schwarzarbeit.

Es gibt keine allgemein gültigen, universellen Ursachen für die Existenz und Entwicklung für Schwarzarbeit. Sie beruht auf einer komplexen Verzahnung zwischen verschiedenen Variablen, die sich in den einzelnen Ländern unterschiedlich darstellen. Abgesehen von wirtschaftlichen Gründen wie steuerliche Belastung oder Unbeweglichkeit auf den (Arbeits-)märkten spielt das Vertrauen in

die und die Qualität der Regierung eine bedeutende Rolle. Darüber hinaus darf die Rolle der Kultur bei der Gestaltung der Schwarzarbeit nicht außer Acht gelassen werden.

Als Reaktion auf die Beschäftigungsrichtlinie Nr. 9 haben alle Mitgliedsstaaten bezüglich der Schwarzarbeit eine Vorgehensweise erarbeitet. Große Aufmerksamkeit gilt den Maßnahmen, die zur Vereinfachung von Richtlinien und Bestimmungen führen und die administrative Belastung für die Arbeitgeber reduzieren. In mehreren Ländern wird auch gegen die Starrheit des Arbeitsmarktes angegangen. Ferner erfolgen in den meisten Ländern strengere Kontrollen, sei es durch die Errichtung neuer Kontrollbehörden oder durch Befugnisserweiterung für die Arbeit der bestehenden Behörden.

In einigen Ländern wie Belgien und Deutschland wurden völlig neue institutionelle Vereinbarungen entwickelt, um das Bestehen der Schwarzarbeit in bestimmten Sektoren der Wirtschaft wie im persönlichen und häuslichen Bereich an der Wurzel zu packen. Ähnliche Initiativen wurden in den frühen 90er Jahren in Frankreich und Dänemark ergriffen.

Schwarzarbeit in den neuen Mitgliedsstaaten und in den Bewerberländern

Bezüglich des Umfangs und der Dynamik der Schwarzarbeit in den Mittel- und Osteuropäischen Ländern lassen sich drei deutliche Gruppen feststellen:

4. Niedriges Niveau (8 - 13 % des Bruttoinlandsproduktes) und abnehmendem Anteil: Tschechische Republik, Estland und Slowakei.
5. Mittleres Niveau (14 - 23 % des Bruttoinlandsproduktes) und abnehmendem Anteil: Polen, Slowenien, Ungarn, Litauen, Lettland
6. Hohes Niveau (21 - 22 % des Bruttoinlandsproduktes) und steigendem Anteil: Bulgarien und Rumänien.

Der Großteil der Schwarzarbeit in den post-sozialistischen Ländern konzentriert sich auf die gleichen Sektoren wie in der EU im Allgemeinen. Der Unterschied liegt im relativen Anteil der Sektoren und in den diese Entwicklung antreibenden Prozessen. Unter den interessantesten Merkmalen der Schwarzarbeit in den Mittel- und Osteuropäischen Ländern sollten die Folgenden erwähnt werden:

- Die Bedeutung des Einzelhandelssektors und des Hotel und Gaststättengewerbes
- Das Bestehen einer Bedarfsdeckungswirtschaft mit Schwerpunkt auf Landwirtschaft; eher typisch für Entwicklungsländer
- Die relativ große Bedeutung der freien Berufe
- Das verhältnismäßig geringe Vorkommen informeller Wirtschaft im Fertigungsbereich

Will man die Formen der informellen Wirtschaft in den Mittel- und Osteuropäischen Ländern charakterisieren, ist besonders auf die verbreitete Praxis der "Lohntütengehälter" zu achten, wobei das zu niedrige Deklarieren von Einkünften genau so bedeutend wird wie das Nichtdeklarieren. Korruption und die Verflechtung mit legalen Geschäften sind ebenfalls bedeutende Merkmale.

Die Faktoren, mit denen die Schwarzarbeit in den Mittel- und Osteuropäischen Ländern erklärt werden kann, lassen sich in drei Hauptgruppen unterteilen: 1) gesellschaftlich-wirtschaftliche/Marktfaktoren, 2) institutionelle Faktoren und 3) soziale Faktoren, wozu kulturelle Traditionen und die Beziehung zwischen Einzelpersonen, Gesellschaft und Staat zählen. Letztere können unterteilt werden in diejenigen, die mit den zurückliegenden sozialistischen Zeiten verknüpft sind, und in diejenigen, die auf lange kulturelle Traditionen zurückblicken. Die institutionellen (und teilweise die wirtschaftlichen) Faktoren sind eher bestimmend für die kurzfristigen Entwicklungen der Schwarzarbeit. Das Erbe der sozialistischen Verwaltungs- und Wirtschaftskultur kann als mittelfristiger Faktor bezeichnet werden. Zusammen mit den institutionellen Faktoren lassen sie sich als Teil des Übergangs betrachten und sind deshalb temporär. Die historischen Faktoren, verknüpft mit kulturellen Traditionen, sind die stabilsten langfristigen Faktoren. Die Stabilität der Schwarzarbeit in den Mittel- und Osteuropäischen Ländern sind weitgehend abhängig vom Gewicht der sozialen (kulturellen) Faktoren und der Stärke des Staates und anderer demokratischer Institutionen.

Die meisten Mittel- und Osteuropäischen Länder haben eine zielgerichtete Politik im Kampf gegen die Schwarzarbeit mit Schwerpunkt auf institutionelle Maßnahmen. Es besteht aber auch eine kleine Gruppe von Ländern (Polen, Ungarn und Slowenien) mit einer langen Geschichte der Schwarzarbeit, die nun einem minderheitlichen *Laissez-faire*-Ansatz nachgehen. Hier wird der gegenwärtige Stand der Schwarzarbeit durch Politik und Politiker toleriert, die darin eine Maßnahme gegen die Massenarbeitslosigkeit sehen und somit sozioökonomische Spannungen verhindert und es werden keine ernsthaften Gegenaktionen in Angriff genommen.

Einer der wichtigsten Erfolgsfaktoren bei der Bekämpfung der Schwarzarbeit ist der allgemeine Erfolg und die Stabilität der Wirtschaftsentwicklung, die politische Stabilität, die Integration in die westlichen Märkte (einschließlich der Präsenz von Auslandskapital) und die Liberalisierung des Außenhandels.

Geschlechtsbezogener Anteil

In den meisten europäischen Ländern – ob im Westen oder im Osten – ist der Anteil der Frauen an der Schwarzarbeit im Vergleich zu dem der Männer geringer. Insbesondere in den neuen Mitgliedsstaaten und in den Bewerberländern dieser Studie nimmt der Anteil der Frauen mit zunehmendem Bildungsniveau zu. Frauen sind meistens in Bereichen mit einem hohen Anteil an

traditionellen “Frauentätigkeiten” anzutreffen. Schwarz beschäftigte Frauen werden im Service-Bereich (Personendienstleistung, Pflege), im Hotel- und Gastronomiegewerbe, im Gesundheitswesen, im Bildungsbereich, im kommerziellen Reinigungssektor etc. angetroffen. In den bekannten Bereichen der Schwarzarbeit – wie Bau und Reparatur – finden sich nur wenige Frauen.

Die Arbeitsbedingungen der Frauen in der informellen Wirtschaft sind durchweg weniger günstig als die der Männer. Frauen arbeiten in weniger autonomen Jobs, sie verdienen weniger und nehmen die informelle Arbeitsstelle tendenziell aus einer wirtschaftlichen Notwendigkeit heraus an – anders als die Männer, die nebenbei hinzu verdienen. Die Schwarzarbeit der Frauen ist von einer höheren Permanenz gekennzeichnet als die der Männer.

Dr. Pfau-Effinger verknüpft die Verbreitung und die Typen der Frauen-Schwarzarbeit mit den unterschiedlichen Typen der Wohlfahrtsstaaten. In den gleichheitsbezogenen sozialdemokratischen Wohlfahrtsregimen gibt es für die Frauen-Schwarzarbeit (im Haushalt) weder eine Kultur noch (dank der staatlichen Hilfen für die Kinderbetreuung) einen Bedarf. In den konservativen Wohlfahrtsstaaten wie im (früheren) Westdeutschland führt die Kultur und der Bedarf an Arbeitskräften im Haushalt zu einer beträchtlichen Zunahme der Schwarzarbeit im Haushaltssektor. Schließlich ist die kulturelle Einstellung in den Mittelmeerländern völlig gegen formelle Beschäftigungsverhältnisse von Frauen und es besteht eine starke Ausprägung dahingehend, dass die Frauen im Haus bleiben und ihren familiären Verpflichtungen nachgehen sollten.

Leider gibt es im Augenblick nur wenig empirische Erkenntnis über den Anteil der Frauen an der Schwarzarbeit. Die laufende Forschung durch Dr. Pfau-Effinger wird mehr Licht in dieses Thema bringen.

Summary

1 Context and purpose of the study

Undeclared work, in all the ambiguity of its connotations, has come to constitute a structural feature of European societies. As early as 1998, the European Commission launched a debate on the causes and consequences of undeclared work in the Member States and possible policies to counter the phenomenon. For this purpose, the Commission issued the Communication on Undeclared Work. Following the Communication, under the authority of the Commission, research was conducted into policies towards undeclared work¹. The study stresses the importance of a policy mix to combat undeclared work: a good mix consists of both preventive actions and sanctions. The report was presented in February 2002.

Following the Communication and the study-report, EC initiatives on the subject became part of a comprehensive targeted strategy. Member States' policy to combat undeclared work was monitored in the context of the European Employment Strategy (EES), and undeclared work became part of the ninth employment guideline.

Nevertheless, in the view of the European Commission, more attention had to be paid to the phenomenon. For this reason, it assigned Inregia AB and Regioplan BV to conduct a study into several specific items regarding undeclared work. The importance of this study was underlined by the 2003 Employment Guidelines, where the ninth guideline was exclusively directed towards the undeclared work. It emphasises that Member States are expected to: “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 benefit system, improved law enforcement and the application of sanctions. They should undertake the necessary efforts at the national and EU level to measure the extent of the problem and progress achieved at the national level”.

1.1 The study, goals and research methods

The *aim* of the study was to investigate a number of specific items, viz.:

1. The statistical definition of, measurement methods for and estimates of the size of undeclared work in the EU and new Member States
2. Undeclared work in the new Member States, candidate countries and the impact on the labour market

3. The gender dimension of undeclared work
4. The identification of good practice and how to improve policy aiming at transforming undeclared work to formal employment

These goals were translated into *research questions*, four sets of questions for each item. The approach used to obtain answers to the research questions can be described along the following main lines:

- Desk research
- Questionnaires on size and methods
- Country studies done by national experts
- Drawing up preliminary conclusions
- Seminar

Desk research

The desk research focused on relevant literature on the informal economy and undeclared work. This literature offered us insight in the issues on definition, size and methods of measurement (question 1). For the purpose of the desk research an extensive literature scan was done. An overview of the used literature can be found the appendices.

Questionnaire on size and methods

In order to gather reliable and comparable information on the incidence and structure of undeclared work in the different countries, we sent out a questionnaire to the National Bureaus of Statistics (NBS) of the Member States, asking them to provide us with their most recent estimates on the matter. The questionnaire also raised the question of translating undeclared work into additional formal labour.

Country studies

In order to find answers on the questions concerning the undeclared work in the new Member States, we set up a network of experts in the concerned countries in central and eastern Europe (CEE; for a listing, see appendix). Each of them wrote a country study, following a line of questioning we sent to them. The questions correspond with the questions under heading 2) above. These experts provided us with the most recent and relevant material concerning undeclared work in their respective countries.

¹ Mateman, S. and Renooy, P. (2002), *Undeclared labour in Europa: Towards an integrated approach of combating undeclared labour*.

Seminar

Following the country studies, a seminar was organized in which the main draft conclusions were discussed with experts from various countries, the EC, Eurostat and other researchers on the topic.

2 Definitions

In recent years a wide array of colourful names has been used to describe the phenomenon we are discussing in this study. A few examples are: informal economy, hidden economy, cash economy, moonlight, twilight, dual, subterranean, parallel, underground, second, unofficial and shadow economy. Similar names are found in different languages. Unfortunately, almost as many descriptions of the phenomenon can be found in the literature. Many of them differ in *elements* of description they use (work, activities, paid labour etc) or in the distinguishing *criteria* used, which sometimes emphasise legal aspects, sometimes statistical ones and sometimes focus on fiscal matters.

In this study, "work" is our focus and main element, and we use "registration according to the national requirements" as the criterion for what is to be understood as undeclared work. The definition is:

“productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States.”

This definition strongly coincides with that of underground production and production of households for own final use in the OECD terminology for the Non Observed Economy.²

This definition is the starting point of our analysis. Reality, however, is more complicated. During the analysis, we were forced to use the varying approaches to the question of undeclared work that we came about in the various countries. These approaches were hardly ever similar, but rather tended to differ on several details.

3 Methods of measuring

Assessing the size and structure of undeclared work calls for great accuracy. By its very nature – the fact that it is not observed or registered – it is very hard to come to reliable estimates. Very often indirect methods are used, in particular monetary methods, where for instance the development of the ratio between cash and demand deposits is taken as an indicator for the existence and

² OECD (2002), *Handbook for measurement of the non observed economy*. Paris.

development of an informal economy. Experts of the OECD, in compiling their handbook on measuring the non observed economy, concluded that this kind of method is of very limited use.

Another method recently used in various countries is the labour accounts method. In this method, information on the supply side of the labour market – gathered for instance through Labour Force Surveys (LFS) – is compared with information of the demand side – e.g. from enterprise surveys. Eurostat considers this method useful in achieving exhaustiveness of national accounts, but it has many pitfalls when trying to assess the volume of the undeclared work in terms of labour units.

A third type of measurement is based on econometric modelling. Using certain indicators of an undeclared part of the economy and a set of supposed determinants (causes), an indication of the size of it is obtained through modelling. The often quoted figures by Professor Schneider are mostly obtained in this way.

During the seminar held in the course of this study, experts agreed on direct methods being preferable for the study of undeclared work. The term direct methods refers especially to observation, interviews and surveys in the supply side. Research of this nature has not been done very often. The most important reason for this, apart from technical and organisational problems, appeared to be the fear of obtaining incorrect answers: the importance that should be attached to the results of such research, depends to a large extent on the nature of the study, in which the method of questioning and the degree of anonymity play particularly important roles. Recently, very promising results were obtained in internationally comparable direct surveys.

4 Undeclared work in the EU15: size, measurement and policy

Information on the size and structure of the undeclared work collected through reliable methods is sparse. Research on this topic is carried out in very few countries. We therefore combined information from the National Statistical Bureaus of several countries with results from the study done by Pedersen in five European countries³ to gain an overview of the incidence of undeclared work in the EU15 Member States. In brief, these are our results:

³ Pedersen, S. (2003), *The shadow economy in Germany, Great Britain and Scandinavia. A measurement based on questionnaire surveys*, The Rockwool Foundation Research Unit, Copenhagen.

Table 1 Incidence of undeclared work

Country	Year	Size (% GDP)
Austria	1995	1,5
Belgium	1995	3 - 4
Denmark	2001	5,5
Finland	1992	4,2
France	1998	4 - 6,5
Germany	2001	6
Greece	1998	> 20
Ireland		n.a.
Italy	1998/2002	16 -17
Luxembourg		n.a.
Netherlands	1995	2
Portugal	1996	5
Spain		n.a.
Sweden	1997	3
UK	2000	2

It is very unfortunate that it was not possible to obtain fully comparable international data on the incidence of undeclared work. Nevertheless, one may draw the conclusion that many countries report relatively low figures (around or far below 5 % of GDP) on the incidence of undeclared work. Exceptions to this rule are found in Southern European countries like Italy and Greece.

The very fact that member countries are not very active in measuring undeclared work also means that very few countries are concerned with the exact definition of undeclared work or informal economy. Those countries that responded to our questions on this issue stayed very close to the descriptions of SNA '93 (underground production).⁴

If we look at the participation in undeclared work we find that it is dominated by men, often holding regular jobs as well, who are generally skilled and are part of the dynamic age group between 25 and 45 years of age. This group has the better position in the informal labour market. Others, like women, students and the unemployed take less favourable positions, earn less and work longer in less attractive jobs.

The sector in which most undeclared work takes place is the construction sector. In Pedersen's study, the only exception is Germany, where agricultural work, including gardening, surpasses construction. Next to these two sectors, undeclared work is found most often in the hotel and restaurant sector and, though not mentioned by Pedersen, in personal and domestic services.

⁴ *System of National Accounts 1993* was prepared and published jointly by the Commission of the European Communities/Eurostat, the International Monetary Fund, the Organisation for Economic Co-operation and Development, the Statistics Division of the former Department for Economic and Social Information and Policy Analysis and the regional commissions of the United Nations Secretariat, and the World Bank.

There are no general, universal causes for the existence and development of undeclared work. It is a complex interplay between various variables that varies between countries that brings about informal economies. Apart from economic reasons like tax burden or rigidity on markets, trust in and the quality of government play an important role. Furthermore, one should not ignore the role of culture in this matter.

In response to Employment Guideline no. 9, the Member States have all set out a policy regarding undeclared work. Very much attention is given to measures that simplify rules and regulation and that bring down the administrative burden for employers. In several countries labour market rigidity is also combated. In most countries, control is also tightened, whether new controlling bodies are set up or old ones are given more power to do their work.

In a few countries, like Belgium and Germany, completely new institutional arrangements are developed to undermine the root causes of undeclared work in certain sectors of the economy, viz. personal and domestic services. Similar initiatives have been taken in France and Denmark in the early 1990s.

5 Undeclared work in the new Member States and candidate countries⁵

In this research, specific attention has been given to the situation in the new Member States and candidate countries in central and eastern Europe.

Work outside the formal economy is not a new phenomenon for the post-socialist countries. In most of them it existed under the centralised economy as well, although its proportion of the economy varied. To a large extent the size of such an informal economy in the socialist period depended upon the tolerance of population and governments to undeclared work. Many forms of informal labour were considered normal – i.e. within the social norms – and authorities did not even attempt to register them (especially the growing and selling of agricultural products, doing small repair jobs for money, “helping” in construction of country houses etc.). Nevertheless, some activities were perceived to be more informal (unregistered medical services, tuition of future students). In the context of the non-flexible centralised economy and the deficiency of services, they were justified as unavoidable and even useful (in the capitalist economies these niches are often occupied by small enterprises and individual entrepreneurs). Penalties, for those caught, used to be not very stiff.

At the same time, while central planning and suppressed business activities were common elements of all socialist economies, there were clear differences between regimes in their attitude towards undeclared work. In Czechoslovakia, for example, legislation about private business was rather

⁵ The focus in the study was on the new Member States and candidate countries in Central and Eastern Europe.

strict and penalties high. As a result, undeclared work was rather modest in socialist times (e.g. in Slovakia it was not more than 3-5 % of the GDP). On the contrary, the regimes in Poland and Hungary tolerated a private sector, which was legal. This supported the already long existing tradition of private entrepreneurship. In Hungary the so-called second economy reached 13 % of the GDP in 1980 and 16 % in 1989⁶.

However, one should not expect too much precision in these assessments. Even in the countries where the size of the informal sector under socialism was unimportant as compared to current levels, it did exist, being concentrated in certain sectors, like domestic services or construction. This provides a basis, for the experts from these countries as well, to say that under socialism practices of undeclared work became widespread and an integral part of the economic culture.

5.1 The size of undeclared work and its dynamics

For each of the central and eastern European (CEE) countries there are different estimates of the size of undeclared work, based on different methods. Sometimes they vary rather strongly. *The range of estimates is much wider in the countries with a higher level of informal economy*, where the national government does not have a clear picture what is going on in this sector and cannot provide proper statistics. In such cases, international organizations build their measurements on indirect indicators.

Under the circumstances, we prefer using a range of estimates to choosing one supposedly “correct” figure for each case. The disadvantage of this is that classifications are less clear-cut. In addition, the current transitional situation changes rather quickly and one should not expect stability in figures over time. This does not preclude the existence of rather clear categories of countries that show different levels and rates in the size of their undeclared work.

⁶ Strictly speaking, the Hungarian “second economy” is not synonymous to informal economy. It was considered to be an alternative to the “first” (state) economy and included both informal activities and the legal private sector.

Table 2 Size of undeclared work in selected CEE countries

Country	Year	Estimate (% GDP)
Bulgaria	2002/03	22-30
Czech Republic	1998	9-10
Estonia	2001	8-9
Hungary	1998	18
Latvia	2000	18
Lithuania	2003	15-19
Poland	2003	14
Romania	2001	21
Slovak Republic	2000	13-15
Slovenia	2003	17

Looking at the scale and dynamics of undeclared work in CEE, we may clearly identify three groups of countries.

- 1) Countries where the share of undeclared work is relatively low (about 8-13 % of GDP) and decreasing.

This group includes the Czech Republic, Estonia and Slovakia. In the latter, the share of undeclared work has stabilized and started declining recently, while in the Czech Republic and Estonia it has been decreasing since the mid-1990s. These are countries where comparatively speaking the social and economic basis for informality has never been strong, and current governments have a higher chance of success in combating it (more trust in the state, higher civic conscience, better functioning legal systems).

- 2) Countries with a medium level of undeclared work (14-23 %), which in most of them is also decreasing since the mid-1990s.

This group includes Poland, Slovenia, Hungary, Lithuania and Latvia. The first three countries are known for having a long and deep-rooted tradition of informal economy. Latvia and Lithuania are post-Soviet countries which, as a result, implemented reforms slower than many of their Central and East European neighbours, having a more deep-rooted Soviet-type bureaucracy and a more backwards economic structure.

- 3) Countries with a high and still increasing share of undeclared work (21-22 % according to NBS, but estimated by national experts and international organizations to be 30-37 %).

This group includes Bulgaria and Romania, where undeclared work has a long tradition and the state is still too weak (or unwilling) to combat it.

In the early 1990s, all of the transitional economies experienced economic recession, which in CEE was followed by a steady recovery (unlike most of the post-Soviet states to the east). As a result, the initial growth of undeclared work was followed by its stabilization and decline. In most of the new Member States, the share of undeclared work is declining since the mid-1990s, with a couple of years' delay from the turning point in economic trends. In several countries, according to the data of national experts, the decline started only very recently (Latvia, Slovakia). In Poland, after falling since 1995, in the last two years the share of undeclared work shows signs of increase due to the significant growth of unemployment.

Most of the undeclared work in the post-socialist countries is concentrated to the same sectors as in the EU in general. The difference is in the share of sectors and in the processes driving their development. Among the most interesting phenomena in the CEE countries the following should be mentioned:

- The importance of retailing and hotel/restaurant business
- The presence of a subsistence economy with a focus on agriculture, more typical for developing countries
- A relatively high importance of professional services
- A relatively low incidence of undeclared work in manufacturing

Characterising the forms of informal economy in the CEE countries, special attention should be paid to the wide-spread practice of “envelope wages”, where only the minimum wage is officially declared and an additional part is paid as cash in an envelope. This form of undeclared work exists in practically all of the CEE countries, but seems to be most common in countries with a lower level of economic development, which are at an earlier phase of transition. For instance, in the Czech Republic or Estonia, where the legal culture is developing rather quickly, envelope wages seem to remain only in certain economic sectors (hotel, restaurants, small retail trade) and their use is declining.

In countries with a lower GDP per capita and less developed business culture the envelope wages seem to be more popular, as it is one of the easiest ways to avoid taxes. In Latvia, underreporting (and not non-reporting!) of income dominates over all other forms of undeclared work, which is, according to the national experts, the main reason of unreliability of all the methods used to make assessments of informal economy in this country. In Bulgaria and Romania it is also a well-known practice in all sectors of the economy.

Another important characteristic of undeclared work in the CEE new Member States and candidate countries is its *interconnection with legal business*. Small registered businesses, even if they

themselves “play white”, often have subcontractors from the informal part of the economy. This has given rise to fears that suppressing informal activities may have a negative impact on private business. In some countries this also applies to large (many of them still state-owned) enterprises which pay envelope wages. For many of them this is a survival strategy, seen as a temporary arrangement during the time of unstable transition, which helps to retain well-trained personnel.

Corruption is emphasized by several experts (Bulgaria, Romania, Lithuania) as an important barrier on the way to democratic reforms and a factor that facilitates the functioning of a sizeable informal economy.

5.2 Shaping factors

Factors explaining undeclared work in CEE may be subdivided into three major groups:

- 1) *Socio-economic/market factors*, reflecting the current socio-economic trends and structure of national economy
- 2) *Institutional factors*, understood as a complex of regulations, providing the better functioning of political and economic system
- 3) "*Societal*" factors, meaning all sorts of civic responses to the political and economic system, including cultural traditions and relationships between individual, society and state.

Socio-economic factors are generally mentioned less than institutional and “societal” ones, and include the following:

- Rapid structural change, which causes deformations on the labour market and creates niches for undeclared work
- Unemployment, which is equally mentioned as an important factor for countries with high (Poland, Slovakia with 18-20 %) and low (Slovenia, Czech Republic and Hungary, with 6-10 %) levels of unemployment, creating a supply of cheap labour
- High share of public sector (Poland)
- On-going privatisation and restructuring of public enterprises
- Socio-demographic characteristics, like demographic explosion in Poland or an army of young pensioners in Slovenia (supply of labour)
- Poverty (surprisingly described as for Slovenia, which has the highest level of GDP per capita among all the new Member States, just as for Romania, which is on the bottom of the list)

A powerful factor moderating undeclared work in CEE countries appears to be *the presence of foreign capital*. This factor is explicitly mentioned by the Estonian, Hungarian and Bulgarian experts (note that all three types of countries are represented) but definitely works in the same way in other countries. Most foreign companies try to avoid undeclared work, and thus its proportion is

relatively low in sectors preferred by foreign capital, such as financial services, communications and processing industry, whereas it is much higher in sectors dominated by domestic private capital (agriculture, construction, personal services).

Institutional factors take the most important place among the factors explaining undeclared work in CEE. Among the most frequently mentioned are:

- High tax burden and high social contributions payments (by all the new Member States and candidate countries)
- Underdeveloped institutional infrastructure (too complicated and unstable legal system, weak financial sectors, low level of tax control, inadequate number of custom offices, inflexible employment regulations)
- Over-regulation and bureaucracy (complicated registration and accounting rules, costly licensing system, complicated customs procedure, impeding entrepreneurial activity)
- Strength or weakness of the state and public administration and their stability
- Interference of the state into private business

The “*societal*” factors can be subdivided into those related to recent socialist times and those reflecting long-term cultural traditions.

The *legacy of socialism* is mentioned by practically all of the experts, phrases ranging from the low-key “attitudes, inherited from socialist economy” (Estonia) to the more dramatic “history of fighting foreign authorities” (Poland). The most essential elements of the socialist economic culture are described as:

- Negative perception of the role of the state (which takes much but gives little in return)
- Opposition to all sorts of official institutions and established norms
- Lack of trust in public institutions
- Lack of understanding for linkages between taxes paid and social services received
- Egalitarian way of thinking: negativism towards any disproportions in income, especially between private and public sector, as well as to all sorts of social inequalities
- Underestimation of the postponed benefits from social security as compared to the immediate benefits provided through undeclared work
- The idea of a priority of producer over consumer, inherited from the “shortage economy” (e.g. the service is valuable as such and the consumer of that service should be thankful to its provider) and, as a result, limited understanding and practice of consumer protection
- A primitive understanding of capitalism as being driven by “the law of the jungle”, where any way of getting an income is justified

An important part of the legacy of pre-socialist and socialist times is the inherited administrative culture, which is more pronounced in the less advanced of the new Member States and candidate countries.

As in the case of administrative practices, the traditions of undeclared work stretch back not only to socialist, but certainly also to *pre-socialist times*. Among the long-term historical factors that support this pre-socialist tradition are:

- Peasant tradition, especially in the countries where small-scale farming is still important (e.g. Poland or Slovenia)
- Cultural roots going back to the imperial history, to the boundaries of European empires, as most of the CEE countries have been parts of them
- Absence of experience of democracy before socialism

A crucial element in regulating and controlling undeclared work is the *strength of the state*. Strength, in this context, should not be understood in the sense of heavy handedness, but as the capability to induce and regulate social change effectively and efficiently. Strong political leadership and credibility of politicians are seen as important factors of successful economic policy. Estonia provides a positive example.

The majority of the CEE new Member States and candidate countries do have *targeted policy to combat undeclared work*. Among them there are:

- Countries where such policy were initiated in the 1990s and have already showed some positive result, facilitated by a steadily improving economic situation (Estonia, the Czech Republic and Slovakia)
- Countries with some record of such policy, which however is not very effective yet (Latvia, Lithuania)
- Countries which started introducing this policy only very recently (since 2000) and have so far achieved few results (Bulgaria, Romania)

Everywhere, *the emphasis is put on institutional measures* like tax regulations, reduction of social security contributions, labour market regulation, better control over the market, improvement of the legal environment, making easier the process of business registration and getting licenses etc. One of the most important success factors in combating undeclared work, however, is the general success and stability of economic development, political stability, integration in Western markets (including the presence of foreign capital) and the liberalization of foreign trade.

6 Good practices

In recent years, many EU Member States implemented policies to combat and/or transform undeclared work. In several countries, new measures were implemented, creating institutional innovations and modernizing legal and or fiscal arrangements. In this summary we highlight some of them.

Belgium: Service Vouchers

Service Vouchers says Belgium minister Vandembroucke, should be seen as huge social experiment, in which latent demand can be transformed into work, thousands of people with a weak position on the labour market are given a chance and undeclared work is turned into normal work.⁷

This scheme is simple. The household buys its vouchers for a price of € 6.20 (for an hour of work). With these vouchers, the household can pay for services rendered by certified companies. These companies hire the unemployed. At first these contracts can be rather small and flexible. After 6 months however, the company has to offer a permanent contract for at least half time.⁸ An employee of a certified company is allowed to do the following activities:

- Housecleaning
- Washing and ironing
- Sewing
- Errands
- Preparing meals

The household pays with the vouchers. The cost price of these vouchers is € 19.47 (to be indexed from 2005). The difference is paid to the company by the federal government. Households can recover 30 % the price of the voucher in tax return. So, for them the price of a voucher for one hour work amounts to € 4.34. The Belgian government hopes to create 25,000 of the jobs by the end of 2005.

Sweden: Visible and unpredictable control

Following a report by the Swedish National Audit Office (RRV), the Tax Agency implemented several policy changes to reduce undeclared activities in Sweden. An important component of this new policy was to make both the tax agency's and the benefit-paying authorities' control measures more visible and unpredictable in order to increase the preventive effects.

⁷ Press release November 26th 2003

⁸ For others than the formerly unemployed, the rules are slightly different

Visibility is partly stimulated through information campaigns. One of the campaigns was specifically directed towards young people. Through free information to vocational schools and media campaigns, information was given about the risks of not participating in the social security system. A poll conducted after these campaigns shows that there had indeed been a change of attitudes in the group of young people.

France: Chèque Emploi Service

In 1994 the Chèque Emploi Service (CES) was established. The main purpose of the CES was to simplify the process of hiring and paying a domestic worker and making social security contributions. With a CES, anyone can legally employ a domestic worker, without complying with extensive administrative procedures and labour contracts, by paying his or her salary with the cheques, which can be bought at the local bank. Other benefits of the CES are, for example, an income tax reduction of 50 % of the sum spent on CES.

Since the introduction of CES, the overall number of households using domestic services grew to almost 800,000 in 2002⁹. In this sense, the CES successfully legalised black market employment by making the service cheques popular with many new consumers.

A similar scheme was created in 1996, called Titre Emploi Service (TES). One essential difference to the CES is that the TES vouchers are obtained not through a bank but through work councils, regional and local authorities and welfare associations. These institutions provide the TES to their staff members to make it possible for them to hire domestic help.

Germany: Mini jobs

In the 1970s, the segment of the so-called minor employment (Geringfügige Beschäftigung) was introduced on the German labour market. It became increasingly popular in the nineties as a form of low cost employment.

Until 1999, minor employment was allowed up to a certain income level, then DM 630, and a weekly working time of 15 hours. It was completely exempt from social security payments for employers and employees alike. Employers had to pay a lump-sum tax of 23 %; employees had to pay no tax at all. Minor employment could be combined with normal employment and still be exempt from tax and social security contributions. This was a fairly liberal regime that allowed for small jobs on the side for employees, students and pensioners, and for small extra income for

⁹ Adjerad, S. (2003), *Dynamisme du secteur des emplois familiaux en 2002*. DARES, Premieres Informations, Decembre, nr. 51.1

spouses already insured by the family health scheme of their bread-winning partner. During the 1990s, minor employment grew dramatically and became a significant part of the labour market. In the beginning of 1999, there were over 6.5 million minor jobs, representing almost 70 % of all jobs in catering and 60 % of all jobs in cleaning.

This growth of minor jobs posed a threat to the financial basis of the social security system, in particular pensions and health insurance. Moreover, labour unions feared the loss of normal jobs in favour of minor jobs. So in 1999, the government reformed the minor jobs scheme somewhat, aiming at limiting its growth.

In 2002, the German government introduced three types of mini jobs.

400 Euro jobs

The income limit of the former DM 630 jobs was raised to € 400. Within this income limit, mini-jobs enjoyed reduced social security contributions of 23 % (12 % for the pension insurance system and 11 % for the health insurance system) and a lump-sum tax of 2 %. A major change of the reform was the lifting of the working time restriction of 15 hours per week, presumably increasing flexibility for employers but also lifting a *de facto* minimum wage.

Mini jobs in the household sector

Household mini jobs were introduced particularly to fight undeclared work in the household sector. For household mini jobs, the employer has to pay a levy of 12 % (5 % for pension insurance scheme, 5 % for health insurance system and 2 % as a lump sum tax). Moreover, the employer can deduct a certain amount of payment from taxes (Dienstmädchenprivileg).

Midi jobs

In order to ease the transfer from minor into normal employment, a transition zone ranging between an income of € 400.01 and € 800 was introduced, social security contributions for the employee rising gradually from around 4 % to their full 21 %.

Italy: The Committee for the emergence of the underground economy

Law No. 448/98 of 1998 established a national committee for the emergence of the underground economy: “*Comitato per l'emersione del lavoro non regolare*”, sorting directly under the Prime Ministers' Office.

The committee's primary task is to analyse and co-ordinate regularisation initiatives. Besides the central committee, regional and provincial committees were set up with the task of analysing local situations, promoting agreements and providing support reaching regularisation agreements. Each

regional committee has 15 members, out of which seven are appointed by the public administration and eight are appointed jointly by the social partners.

Furthermore, recently a network of regional “tutors” has been established. Tutors are independent professionals with backgrounds in socio-economic disciplines, for example lawyers or economists, and who have profound knowledge of the economic and labour market situation in a region. The national committee temporarily hires them on a freelance basis. Their main task is to support the development of the regional regularisation process by providing help to companies who want to leave irregularity behind and “surface”. One of the tutors describes himself and his colleagues as “street level bureaucrats” because they do their job on the road and do not have residence in or execute their work from a central office where the entrepreneur has to go for information.

7 Gender

In most European countries, be it western or eastern, women participate less in undeclared work than men do. Especially in the new Member States and the candidate countries in this study, female participation rises with educational level.

Women are mostly found in sectors with a lot of traditionally female tasks. Informally employed women are found in the service sector (personal services, care), the hotel and restaurant sector, health, education, commercial cleaning and so on. Few women are found in well-known informal sectors like construction and repair. The working conditions of women in undeclared work are, overall, less favourable than those of men. Women are engaged in less autonomous jobs, earn less and tend to have the informal job for economic necessity, rather than to earn extra cash on the side like men do. Women’s undeclared jobs have a more permanent character than those of men.

Dr. Birgit Pfau-Effinger in a study for the EC connects the incidence and types of female undeclared employment to different types of welfare states. In the egalitarian *social democratic welfare regimes*, there is neither the culture, nor the need to rely on female undeclared (domestic) labour, thanks to state provision. In *conservative welfare states*, like the former West Germany, the culture and the demand for domestic labour led to the growth of undeclared work of considerable size in the household sector. Finally, in the countries of the so called *Latin Rim*, cultural norms were very much opposed to women working formally, and strongly geared towards keeping them in the house to perform family tasks.

Unfortunately, little empirical evidence on female participation in undeclared work is available at the moment.

8 Policy Recommendations

The incidence of undeclared work has different root causes in the various countries of the enlarged EU. They even differ within countries. Consequently, different approaches should be used in different countries.

Policy should be robust: constant alteration should not be required for successful operation. Rather, it should contain a wide variety of tools and models, which can be used in different situations and circumstances as they appear. In the EC research report “Undeclared Labour in Europe” (2001), a toolbox of policy opportunities is presented.

A key element in a policy towards undeclared work, in both old and new Member States, should be the strengthening of trust in government and government institutions. This must be done on the basis of long-term efforts that are designed to strengthen community morale and increase confidence in public institutions. Changing attitudes is a very important instrument in the struggle against undeclared work, since control measures, *inter alia* due to insufficient resources, can never by themselves eliminate the problem.

Two important measures when it comes to achieving a positive change of attitudes are to launch information campaigns against undeclared work in the different countries and for the various countries to adopt – in cooperation with EU – a code of ethics for those who work in the public sector. A codified summary of ethical behaviour and codes of conduct containing well-defined and concrete guidelines should be drawn up for employees in both public administration and publicly owned companies. It is also vital that the EU promote the development of a similar code of ethics in the private sector, in close consultation with social partners. As regards the information campaigns, they should be adapted to national or even regional circumstances, and aim to increase public confidence in and commitment to the financing of the welfare systems. In the new countries, campaigns should be directed especially towards the younger population. They should be the pillars of transformation.

Incentives for the transformation of undeclared work into formal jobs should be improved. Voluntarily transforming undeclared work into legal labour should be attractive, in the sense of not posing a risk or cost. Member States should thus be stimulated to develop forms of formalisation, general or targeted, allowing illicit workers and illicit employers to make themselves known, along the lines of the Italian example. Individuals and businesses can be given a sort of amnesty for a specified period of time, offering them incorporation into the formal economy without fear of retribution.

The connection between taxes and benefits must be made clearly visible. Member States should clarify this connection, to enable citizens rapidly and easily to perceive the returns, in terms of services, of money paid in taxes. One example is the development of a pension system where there is a clear relation between the money earned and the building up of pension claims, like in many west European countries.

Participation must be simple. When an individual is wanted for hire, formal demands and routines for establishing a legal employment relationship should be kept to a minimum. Unnecessary bureaucracy both breeds a sense of alienation, reducing incentives for participation, and poses practical obstacles that some employers and employees will not find it worthwhile to overcome. Instead, they will refrain from participation in the common project. The Belgian scheme with service vouchers and the German € 400 jobs constitute good practice in that respect. As in the previously mentioned Italian example, an organisation can be established in the new Member States and candidate countries to help small-scale entrepreneurs to “surface” from undeclared work. The system of tutors seems a good practice. Entering the formal economy as an entrepreneur should be attractive in economic terms and not hindered by bureaucratic obstacles. Simple new legal forms, like the German Me-Inc., can be an incentive in this matter.

In new Member States and candidate countries, there is a high correlation between the extent of undeclared work and the average income level: general economic development works against informality, while poverty and weakness of reforms contribute to its growth. Therefore, in the less advanced of the new Member States and candidate countries, efforts should be targeted at state formation, development of democratic institutions and stabilization of the general socio-economic situation. Policy targeted towards undeclared work is of later concern.

However, there are other factors to be seriously considered, namely cultural traditions, which in certain countries may keep undeclared work at a relatively high level in a long-term perspective, independent of institutional regulations or economic success. In such cases it would be misleading to expect quick results from any policy mix, introduced on the national or international level.

Among cultural factors in the new Member States and candidate countries there are those resulting from the recent socialist past and those which have deeper roots in history. The former are easier to overcome. Together with economic reforms and institutional changes they clearly belong to the temporary effects of transition. The latter are more stable and are more difficult to combat (even if policies to combat them will eventually be introduced).

For the new Member States, extra measures may be needed. Promoting foreign investments, trade and other forms of closer integration into the remaining EU are expected to have a positive effect. This should be a double-sided process: promoting the Western side to do it, and stimulating East-

European governments to encourage it. For that matter, one should be mindful of sensitivities that stem from the socialist period (viz. exploitation by “the west”).

In order to compare the various countries and their informal economies, a common definition must be applied in the Member States of the Union. In addition, there is a need for common methods of data collection.

It is our opinion that the Union should recommend countries to gather data using a combination of methods, but we want to underline the importance of direct methods. This paves the way for stable and effective use of resources.

Very little empirical data is available on the position of women in undeclared work. This makes it hard to formulate policy recommendations on this topic and there is a clear need for more research in this area.

Sommaire

1 Contexte et objectif de cette étude

Le travail non déclaré, dans toute l'ambiguïté de ses connotations, en est arrivé à constituer un trait structurel des sociétés européennes. Dès 1998, la Commission européenne a lancé un débat sur les causes et les conséquences du travail non déclaré dans les États membres et sur les stratégies possibles pour contrer ce phénomène. Dans cet objectif, la Commission européenne a publié la Communication sur le travail non déclaré. Suite à cette Communication, une recherche a été effectuée sous l'égide de la Commission européenne pour trouver des stratégies permettant de lutter contre le travail non déclaré¹⁰. L'étude souligne l'importance d'une combinaison de stratégies pour combattre le travail non déclaré : la bonne formule se compose de mesures préventives et de sanctions. Le rapport a été présenté en février 2002.

Suite à la Communication et au rapport publié, les initiatives de la Commission européenne sur le sujet ont participé d'une stratégie largement ciblée. La stratégie de lutte contre le travail non déclaré a été intégrée dans la Stratégie européenne pour l'emploi (SEE) et le travail non déclaré a fait partie de la neuvième ligne directrice de l'emploi.

Quoi qu'il en soit, la Commission européenne estimait qu'il fallait consacrer plus d'attention au phénomène. Pour cette raison, la Commission européenne a confié aux sociétés Inregia AB et Regioplan BV la mission d'étudier certains sujets spécifiques au travail non déclaré. L'importance de cette étude a été soulignée par les ligne directrice de l'emploi de 2003 dont la Neuvième ligne directrice était uniquement axée sur le travail non déclaré. Cette ligne directrice insiste sur le fait que les États membres doivent : "mettre au point et appliquer des actions et des mesures de grande ampleur pour éliminer le travail non déclaré, tout à la fois en simplifiant l'environnement professionnel, en supprimant les effets dissuasifs et en prévoyant des incitations appropriées dans les systèmes d'imposition et d'indemnisation, ainsi qu'en améliorant les moyens de faire respecter la législation et en appliquant des sanctions. Ils devraient consentir, aux niveaux national et communautaire, les efforts nécessaires pour mesurer l'étendue du problème et les progress accomplis au niveau national."

¹⁰ Mateman, S. et Renooy, P. (2002) : *Undeclared labour in Europa : Towards an integrated approach of combating undeclared labour. (Le travail non déclaré en Europe : vers une approche intégrée de la lutte contre le travail non déclaré*

1.1 Objectifs et méthodes de recherche

L'*objectif* de cette étude est d'examiner un certain nombre de sujets spécifiques, à savoir:

1. La définition statistique, les méthodes de mesure et les estimations sur l'ordre de grandeur du travail non déclaré dans l'Union européenne et les nouveaux États membres
2. Le travail non déclaré dans les pays candidats et l'impact du marché de l'emploi
3. La répartition entre les sexes du travail non déclaré
4. L'identification des bonnes pratiques et la manière de perfectionner les stratégies visant à transformer le travail non déclaré en emplois formels

Ces objectifs ont été traduits en *questions de recherche*, quatre jeux de questions pour chaque sujet. L'approche utilisée pour obtenir des réponses aux questions de recherche peut se décrire comme suit dans ses grandes lignes:

- Recherche documentaire
- Questionnaires de dimension et de méthodes
- Études de pays effectuées par des experts nationaux
- Ébauches de conclusions indicatives
- Séminaire

La recherche documentaire

La recherche documentaire s'est concentrée sur les livres pertinents sur l'économie informelle et le travail non déclaré. Ces ouvrages nous ont apporté une compréhension des questions de définition, de taille et de méthodes de mesure (question 1). La recherche documentaire a fait l'objet d'une revue extensive des publications existantes. La bibliographie figure en annexe.

Le questionnaire sur la dimension et les méthodes

Pour collecter des données fiables et comparables sur l'incidence et la structure du travail non déclaré dans les différents pays, nous avons envoyé un questionnaire aux agences nationales de statistiques des États membres en leur demandant de nous fournir leurs estimations les plus récentes en la matière. Le questionnaire posait également la question de la transformation du travail non déclaré en main d'œuvre officielle supplémentaire.

Les études de pays

Pour trouver des réponses aux questions concernant le travail non déclaré dans les nouveaux États membres, nous avons constitué un réseau d'experts dans les pays concernés d'Europe centrale et

orientale (PECO : voir liste à l'annexe). Chacun d'entre eux a produit une étude de pays, en suivant une série de questions que nous leurs avons envoyée. Les questions concordent avec les questions de la rubrique 2 ci-dessus. Ces experts nous ont fourni le matériel le plus récent et le plus pertinent concernant le travail non déclaré dans leurs pays respectifs.

Le séminaire

Après les études de pays, un séminaire a été organisé au cours duquel les principales ébauches de conclusions ont été discutées avec les experts de divers pays, de la Commission européenne, d'Eurostat et d'autres chercheurs sur ce sujet.

2 Définitions

Ces dernières années, un large éventail d'expressions colorées ont été utilisées pour décrire le phénomène qui fait l'objet de notre étude. En voici quelques exemples : économie informelle, économie cachée, économie au comptant, travail noir, crépusculaire, double, économie souterraine, parallèle, secondaire, inofficielle ou fantôme. Les différentes langues emploient des noms similaires. Malheureusement, les publications existantes emploient autant de descriptions différentes du phénomène. Un bon nombre diffèrent quant aux *éléments* de description qu'ils utilisent (travail, activités, travail rémunéré, etc.) ou quant aux *critères* distinctifs utilisés, qui soulignent parfois les aspects juridiques, parfois les aspects statistiques et insistent d'autres fois sur la fiscalité.

Dans notre étude, le "travail" est notre élément principal, et nous parlons d'enregistrement conforme aux exigences nationales" comme du critère définissant le travail non déclaré. La définition est la suivante :

« toute activité rémunérée de nature légale, mais non déclarée aux pouvoirs publics, compte tenu des différences existant entre les systèmes réglementaires des États membres. »

Cette définition coïncide fortement avec la définition de production souterraine et de production des ménages pour leur propre usage utilisée dans la terminologie de l'OCDE concernant l'économie non observée.¹¹

Cette définition est le point de départ de notre analyse. La réalité est cependant plus compliquée. Pendant notre analyse, nous avons été obligés d'utiliser les différentes approches de la question de l'économie informelle que nous avons rencontrées dans les différents pays. Ces approches n'étaient presque jamais semblables, mais tendaient plutôt à s'écarter sur plusieurs détails.

¹¹ OCDE (2002) *Mesurer l'économie non observée*. Paris

3 Méthodes de mesure

Une estimation de la dimension et de la structure du travail non déclaré demande une grande précision. Par sa nature même - le fait qu'il ne soit ni observé, ni enregistré - il est très difficile de parvenir à des estimations fiables. Très souvent, des méthodes indirectes sont utilisées, en particulier les méthodes monétaires, qui observent, par exemple, l'évolution du rapport entre les dépôts d'espèces et les dépôts à vue est considérée comme un indicateur de l'existence et du développement d'une économie informelle. Les experts de l'OCDE, lors de la rédaction de leur manuel de mesure de l'économie non observée, ont conclu que ce type de méthodes est d'usage très limité.

Une autre méthode récemment utilisée dans divers pays est la méthode du comptage de main d'œuvre. Cette méthode consiste à comparer l'information du marché de l'emploi, côté offre - collectée par exemple par les études sur la main d'œuvre, LFS avec les données fournies du côté des demandes - par exemple les données fournies par les entreprises. Eurostat considère que cette méthode est utile car elle parvient à une exhaustivité des comptes nationaux, mais elle a de nombreux défauts lorsqu'il s'agit s'estimer le volume de travail non déclaré en termes d'unités de main d'œuvre.

Un troisième type de mesure se base sur la modélisation économétrique. En utilisant certains indicateurs d'une partie non déclarée de l'économie et un jeu de déterminants supposés (causes), on obtient une indication d'ordre de grandeur par la modélisation. Les chiffres souvent cités du professeur Schneider sont le plus souvent obtenus de cette manière.

Pendant le séminaire tenu pendant cette étude, les experts ont convenu que des méthodes directes étaient préférables pour l'étude du travail non déclaré. Le terme de méthodes directes se réfère spécialement à l'observation, aux entretiens et aux études effectués du côté de l'offre. Une recherche de cette nature n'a pas été très fréquente. La raison la plus importante pour cela, à part les problèmes techniques et organisationnels, s'est avérée être la crainte d'obtenir des réponses incorrectes : l'importance devant être accordée aux résultats de cette recherche dépend largement de la nature de l'étude, dans laquelle la méthode de questionnement et le degré d'anonymat jouent des rôles particulièrement importants. Récemment, des résultats très prometteurs ont été obtenus dans des études directes comparables sur le plan international.

4 Le travail non déclaré en Europe des Quinze : importance, mesure et stratégie

Les informations obtenues par des méthodes fiables concernant l'importance et la structure du travail non déclaré sont rares. La recherche sur ce sujet est effectuée dans très peu de pays. C'est pourquoi nous avons combiné les données des agences nationales de la statistique de plusieurs pays avec les résultats obtenus par Pedersen dans son étude sur cinq pays européens¹² pour obtenir une vue d'ensemble de l'incidence du travail non déclaré dans les États membres de l'Europe des Quinze. En bref, voici les résultats que nous avons obtenus:

Tableau 1 Résultats en bref

Pays	Année	Importance (% du PIB)
Autriche	1995	1,5
Belgique	1995	3 - 4
Danemark	2001	5,5
Finlande	1992	4,2
France	1998	4 - 6,5
Allemagne	2001	6
Grèce	1998	> 20
Irlande		n.a.
Italie	1998/2002	16 -17
Luxembourg		n.a.
Pays-Bas	1995	2
Portugal	1996	5
Espagne		n.a.
Suède	1997	3
Royaume-Uni	2000	2

Il est très regrettable qu'il ne nous ait pas été possible d'obtenir des données internationales totalement comparables sur l'incidence du travail non déclaré. Quoiqu'il en soit, on peut en conclure que de nombreux pays rapportent des chiffres relativement faibles (approuvant ou fortement inférieurs à 5 % du PIB) sur l'incidence du travail non déclaré. Les exceptions à cette règle sont constatées dans les pays du Sud européen comme l'Italie et la Grèce.

Le fait même que les pays membres ne soient pas très actifs pour mesurer le travail non déclaré signifie également que très peu de pays se préoccupent de définir exactement le travail non déclaré ou l'économie informelle. Les pays qui ont répondu à nos questions sur ce point sont restés très proches des descriptions des statistiques SNA-93 (production souterraine).

¹² Pedersen, S. (2003) *The shadow economy in Germany, Great Britain and Scandinavian. A measurement based on questionnaire surveys (L'économie parallèle en Allemagne, Grande-Bretagne et Scandinavie. Mesure basée sur l'étude de questionnaires)*. The Rockwool Foundation Research Unit, Copenhagen

Si nous considérons la participation à l'économie informelle, nous constatons qu'elle est dominée par des hommes, qui ont aussi des emplois réguliers, sont généralement formés et font partie du groupe d'âge actif entre 25 et 45 ans. Ce groupe occupe la meilleure place dans le marché informel du travail. Les autres, comme les femmes, les étudiants et les chômeurs, occupent des positions moins favorables, gagnent moins et travaillent plus longtemps à des postes moins intéressants.

Le secteur dans lequel la plus grande part du travail non déclaré est le secteur du bâtiment. Dans l'étude de Pedersen, la seule exception est l'Allemagne où l'agriculture, y compris l'horticulture, dépasse le bâtiment. Après ces deux secteurs, le travail non déclaré est constaté le plus souvent dans l'hôtellerie et la restauration et, bien que Pedersen ne le mentionne pas, dans les services personnels et domestiques.

Il n'existe pas de causes générales et universelles à l'existence et au développement du travail non déclaré. L'économie informelle est le résultat d'une interaction complexe entre diverses variables qui diffèrent d'un pays à l'autre. Mises à part les raisons économiques comme le fardeau fiscal ou la rigidité des marchés, un grand rôle est joué par la confiance dans le gouvernement et sa qualité. En outre, il ne faut pas oublier le rôle de la culture dans cette matière.

En réponse à la neuvième ligne directrice sur l'emploi, les États membres ont tous instauré une stratégie pour s'adresser au travail non déclaré. Une grande attention est apportée aux mesures de simplification et de régularisation et qui atténuent la charge administrative des employeurs. Plusieurs pays luttent en outre contre la rigidité du marché du travail. Dans la plupart des pays, le contrôle est également resserré, soit en instaurant de nouveaux organismes de contrôle, soit en donnant aux anciens organes plus de pouvoir pour effectuer leur travail.

Dans quelques pays comme la Belgique et l'Allemagne, de nouvelles solutions institutionnelles sont élaborées pour éliminer les causes profondes du travail non déclaré dans certains secteurs de l'économie, c'est-à-dire les services personnels et domestiques. Des initiatives similaires ont été prises en France et au Danemark au début des années 1990.

5 Le travail non déclaré dans les nouveaux États membres et les pays candidats¹³

Dans cette recherche, une attention spécifique a été accordée à la situation dans les nouveaux États membres et les pays candidats des PECO.

Le travail en dehors de l'économie formelle n'est pas un phénomène nouveau pour les pays post-socialistes. Dans la plupart d'entre eux, il existait déjà dans l'économie centralisée, bien que sa

¹³ L'étude se concentre sur les nouveaux États membres et les pays candidats des PECO.

proportion dans l'économie ait varié. Pour une grande part, l'importance de cette économie informelle pendant la période socialiste dépendait de la tolérance de la population et des gouvernements envers le travail non déclaré. De nombreuses formes de travail informel étaient considérées comme normales - c'est-à-dire dans le cadre des normes sociales - et les autorités ne tentaient même pas de les enregistrer (en particulier la culture et la vente de produits agricoles, les petites réparations rémunérées, l'"aide" fournie pour la construction des maisons de campagnes, etc.). Néanmoins, certaines activités étaient perçues comme moins informelles, (services médicaux non officiels, admission de futurs étudiants). Dans le contexte d'une économie centralisée non flexible et la déficience des services, ces activités étaient perçues comme inévitables et même utiles (dans les économies capitalistes, ces niches sont souvent occupées par de petites entreprises et des entrepreneurs individuels) Les pénalités, pour les personnes prises en flagrant délit, n'étaient jamais très sévères.

En même temps, alors que la planification centrale et les activités commerciales supprimées étaient des éléments communs à toutes les économies socialistes, de nettes différences se faisaient jour entre les régimes dans leur attitude envers le travail non déclaré. En Tchécoslovaquie, par exemple, la législation sur les entreprises privées était assez stricte et les sanctions étaient sévères. En résultat, l'économie informelle était assez limitée à l'époque socialiste (en Slovaquie, par exemple, elle ne représentait pas plus de 3 à 5 % du PIB). À l'opposé, les régimes polonais et hongrois toléraient le secteur privé. Cela a soutenu la tradition déjà ancienne de l'entrepreneuriat privé. En Hongrie, la "seconde économie" atteignait 13 % du PIB en 1980 et 16 % en 1989¹⁴.

Cependant, il ne faut pas attendre trop de précision de ces évaluations. Même dans les pays où l'importance du secteur informel pendant la période socialiste était négligeable par rapport aux niveaux actuels, ce secteur existait, concentré dans certains secteurs, comme les services domestiques ou le bâtiment. C'est sur cela que s'appuient aussi les experts de ces pays pour affirmer que les habitudes du travail non déclaré se sont étendues à l'époque socialiste et qu'elles constituaient partie intégrante de la culture économique.

5.1 L'importance du travail non déclaré et sa dynamique

Pour chacun des pays d'Europe centrale et orientale (PECO) Il existe des estimations différentes de l'importance du travail non déclaré, selon les différentes méthodes. Parfois, ces estimations varient très fortement. *L'éventail des estimations est beaucoup plus large dans les pays ayant un plus haut degré d'économie informelle* alors que le gouvernement national n'a pas une image claire de ce qui se passe dans ce secteur et ne peut fournir de statistiques véritables. Dans de tels cas, les organisations internationales fondent leurs mesures sur des indicateurs indirects.

¹⁴ Au sens strict, la "seconde économie" hongroise n'est pas synonyme d'économie informelle. Elle était considérée comme une alternative à la "première" économie (l'État) et comprenait aussi bien des activités informelles que le secteur privé légal.

Dans ces circonstances, nous préférons utiliser une série d'estimations plutôt que de choisir un chiffre supposé "correct" pour chaque cas. L'inconvénient à cela est que les classifications sont moins nettes. En addition, la situation transitoire actuelle évolue assez rapidement et il ne faut pas attendre une stabilité des chiffres dans le long terme. Cela n'exclut pas l'existence de catégories assez distinctes de pays qui présentent différents niveaux et taux de travail non déclaré.

Tableau 2 Importance du travail non déclaré dans certains PECO

Pays	Anné	Estimation (% du PIB)
Bulgarie	2002/03	22-30
République Tchèque	1998	9-10
Estonie	2001	8-9
Hongrie	1998	18
Lettonie	2000	18
Lituanie	2003	15-19
Pologne	2003	14
Roumanie	2001	21
Slovaquie	2000	13-15
Slovénie	2003	17

L'échelle et la dynamique du travail non déclaré des PECO nous permettent d'identifier clairement trois groupes de pays:

1. Les pays dont le taux de travail non déclaré est relativement faible (environ 8 à 13 % du PIB) et en régression.

Ce groupe comprend la République Tchèque, l'Estonie et la Slovaquie. En Slovaquie, la part de travail non déclaré s'est stabilisée et a commencé récemment à décliner, alors qu'en République Tchèque et en Estonie elle décroît depuis 1995 environ. Dans ces pays, où, comparativement, la base sociale et économique de l'informalité n'a jamais été forte, et où les gouvernements en place ont une meilleure chance de succès pour la combattre (plus grande confiance dans l'État, plus haut degré de civisme, systèmes légaux fonctionnant mieux).

2. Les pays dont le taux de travail non déclaré est moyen (14 à 23 %) et décroît lui aussi depuis 1995 environ.

Ce groupe comprend la Pologne, la Slovénie, la Hongrie, la Lituanie et la Lettonie. Les trois premières sont renommées pour avoir une tradition longue et profondément enracinée d'économie informelle. La Lettonie et la Lituanie sont des pays postsoviétique qui, en conséquence, ont mis en œuvre les réformes plus lentement qu'un bon nombre de leurs PECO voisins, ayant une bureaucratie de type soviétique plus profondément enracinée et une structure économique beaucoup plus rétrograde.

3. Les pays ayant un taux de travail non déclaré élevé et encore croissant (21 à 22 % selon leurs agences nationales de statistique, mais estimé par les experts nationaux et les organismes internationaux à 30 à 37 %).

Ce groupe comprend la Bulgarie et la Roumanie, dont l'économie informelle découle d'une longue tradition et où l'État est encore trop faible (ou peu enclin) à la combattre.

Peu après 1990, toutes les économies de transition ont subi une récession économique, suivie dans les PECO par un rétablissement solide (à la différence de la plupart des États post-soviétiques de l'Est). Il en résulte une augmentation initiale du travail non déclaré, suivie de sa stabilisation et de son déclin. Dans la plupart des nouveaux États membres, la part du travail non déclaré décline depuis 1995 environ, avec un retard de quelques années par rapport au renversement de tendance économique. Dans plusieurs pays, les données fournies par les experts attestent un déclin beaucoup plus récent (en Lettonie et Slovaquie). Pour ce qui concerne la Pologne, après avoir reculé depuis 1995, les deux dernières années ont présenté des signes de progression du travail non déclaré à cause de l'importante avancée du chômage.

Dans les pays post-socialistes, la plus grande part du travail non déclaré se concentre dans les mêmes secteurs que dans l'ensemble de l'Union européenne. La différence réside dans les parts sectorielles et dans les processus qui stimulent leur développement. Parmi les phénomènes les plus intéressants des PECO, citons les suivants:

- L'importance des commerces de détail et de l'hôtellerie-restauration
- La présence d'une économie de subsistance concentrée sur l'agriculture, plus caractéristique des pays en développement
- Une proportion relativement forte de services professionnels
- Une proportion relativement faible de travail non déclaré dans l'industrie

Pour caractériser les aspects que revêt l'économie informelle dans les PECO, une attention particulière doit être portée à l'habitude très répandue des "salaires sous enveloppe", où seul un minimum de salaire est déclaré officiellement et où une part supplémentaire est versée comptant dans une enveloppe. Cette forme de travail non déclaré existe dans pratiquement tous les PECO, mais semble la plus courante dans les pays à faible degré de développement économique, qui se trouve dans une phase transitoire plus initiale. Par exemple, dans la république tchèque ou en Estonie, où la culture juridique se développe assez rapidement, les salaires sous enveloppe semblent ne subsister que dans certains secteurs économiques (hôtellerie, restauration, petits détaillants) et leur usage va déclinant.

Dans les pays à PIB par habitant faible et dont la culture commerciale est moins avancée, les salaires sous enveloppe semblent plus répandus, puisque c'est l'une des manières les plus faciles d'éviter les impôts. En Lettonie, la sous-déclaration (car déclaration il y a) des revenus domine toutes les autres formes de travail non déclaré, ce qui, selon les experts nationaux, est la raison principale de la non-crédibilité de toutes les méthodes utilisées pour estimer l'économie informelle de ce pays. En Bulgarie et en Roumanie, ce procédé est également bien connu de tous les secteurs de l'économie.

Un autre caractère important du travail non déclaré dans les nouveaux États membres et les pays candidats des PECO est son *interconnexion avec le travail déclaré*. Les petites entreprises déclarées, mêmes si elles "travaillent au grand jour", ont souvent des sous-traitants provenant de la partie informelle de l'économie. Des craintes se sont fait jour que la suppression des activités informelles pourraient exercer un impact négatif sur l'entrepreneuriat privé. Dans quelques pays, cela concerne aussi les grandes entreprises (dont certaines sont nationalisées) qui versent des salaires sous enveloppes. Pour un bon nombre, il s'agit là d'une stratégie de survie, considérée comme une solution temporaire pendant une période de transition instable, ce qui aide à conserver un personnel bien formé.

La *corruption* est soulignée par plusieurs experts (la Bulgarie, la Roumanie, la Lituanie) comme une barrière sur la route des réformes démocratiques et un facteur qui facilite le fonctionnement d'une économie informelle considérable.

5.2 Facteurs d'apparition

Les facteurs qui expliquent le travail non déclaré dans les PECO peuvent être répartis en trois groupes principaux:

- 1) *Les facteurs socio-économiques/du marché* qui reflètent les tendances socio-économiques en vigueur et la structure de l'économie nationale
- 2) *Les facteurs institutionnels* compris comme un complexe de réglementations, qui apportent un meilleur fonctionnement du système politique et économique
- 3) *Les facteurs "sociétaux"* ce qui signifie toutes sortes de réponses civiques au système politique et économique, y compris les traditions culturelles et les relations entre l'individu, la société et l'État

Les *facteurs socio-économiques*, généralement moins cités que les facteurs institutionnels et "sociétaux", comprennent les éléments suivants :

- Changements structurels rapides, qui causent des déformations du marché de l'emploi et créent des niches pour le travail non déclaré
- Le chômage qui est cité aussi souvent comme un important facteur par les pays aux niveaux de chômage élevé (Pologne, Slovaquie avec 18 à 20 %) que par les pays à faible taux de chômage (Slovénie, République Tchèque et Hongrie, avec 6 à 10 %) qui crée une réserve de main œuvre à bon marché
- Taux important de secteur nationalisé (Pologne)
- Privatisation et restructuration d'entreprises nationalisées en cours
- Caractéristiques socio-démographiques, comme l'explosion démographique en Pologne ou une armée de jeunes retraités en Slovénie (offre de main œuvre)
- La pauvreté (citée de manière inattendue aussi bien par la Slovénie, qui a le niveau moyen de PIB par habitant le plus élevé de tous les nouveaux États membres, que par la Roumanie, qui est au bas de la liste)

Un puissant facteur de modération du travail non déclaré dans les PECO semble être *la présence de capitaux étrangers*. Ce facteur est cité explicitement par les experts estoniens, hongrois et bulgares (notons que les trois types de pays sont représentés) mais fonctionne certainement de la même manière dans les autres pays. La plupart des entreprises étrangères s'efforcent d'éviter les employés non déclarés, c'est pourquoi la part de travail non déclaré est relativement faible dans les secteurs privilégiés par les capitaux étrangers, comme les services financiers, les communications et l'industrie de fabrication, alors qu'elle est beaucoup plus élevée dans les secteurs dominés par le capital privé domestique (agriculture, construction, services personnels).

Les facteurs institutionnels occupent la plus grande place parmi les causes du travail non déclaré dans les PECO. Les plus fréquemment cités sont notamment les suivants ;

- Charge fiscale élevée et niveaux élevés des cotisations sociales (cités par tous les nouveaux États membres et les pays candidats)
- Sous-développement de l'infrastructure institutionnelle (système juridique trop compliqué et trop instable, secteurs financiers faibles, niveau faible du contrôle fiscal, nombre inapproprié d'autorités douanières, inflexibilité des réglementations d'emploi)
- Surréglementation et bureaucratie (règles d'enregistrement et de comptabilité compliquées, système d'autorisation coûteux, procédures de douane compliquées, ce qui empêche les activités des entrepreneurs)
- Force ou faiblesse de l'État et de l'administration publique, leur stabilité
- Interférence de l'État dans les entreprises privées

Les *facteurs "sociétaux"* peuvent se répartir en ceux liés aux périodes socialistes récentes et en ceux qui reflètent des traditions culturelles de long terme.

L'*héritage du socialisme* est cité par presque tous les experts, dont les expressions vont des évocations discrètes d'«attitudes héritées de l'économie socialiste» (Estonie) à celles, plus dramatiques, d'«histoire de la lutte contre les autorités étrangères» (Pologne). Les éléments les plus essentiels de la culture économique socialiste sont décrits comme suit :

- Perception négative du rôle de l'État (qui prend beaucoup mais ne rend presque rien)
- Opposition à toutes les sortes d'institutions officielles et de normes établies
- Manque de confiance dans les institutions publiques
- Manque de compréhension de la relation entre les impôts versés et les services sociaux reçus
- Manière égalitaire de penser : négativisme envers toutes disproportions de revenus, en particulier entre le secteur public et le secteur privé, aussi bien que pour toutes sortes d'inégalités sociales
- Sous estimation des avantages reportés de la protection sociale comparés aux avantages immédiats que procure le travail non déclaré
- L'idée de priorité du producteur devant le consommateur, héritée de l'«économie de pénurie» (par exemple le service est appréciable en lui-même et le consommateur de ce service devrait en être reconnaissant à son fournisseur) et, en résultat, une compréhension et une habitude limitées de la protection du consommateur
- Une compréhension primitive du capitalisme comme étant le résultat de «la loi de la jungle» où toute manière de recevoir un revenu est justifiée

Une part importante de l'héritage des époques pré-socialistes et socialistes est la culture administrative qui est plus prononcée dans les moins évolués des nouveaux États membres et des pays candidats.

Comme dans le cas des habitudes administratives, les traditions de l'économie informelle remontent non seulement aux époques socialistes, mais certainement aussi aux *époques pré-socialistes*. Parmi les facteurs historiques de long terme qui soutiennent la tradition pré-socialiste, citons les suivants:

- Tradition paysanne, spécialement dans les pays où le secteur des petits agriculteurs est encore important (par exemple la Pologne ou la Slovaquie)
- Racines culturelles remontant à l'histoire impériale, aux frontières des empires européens, car la plupart des PECO en ont fait partie
- Absence d'expérience de la démocratie avant le socialisme

Un élément crucial de la réglementation et du contrôle du travail non déclaré est la *force de l'État*. Nous n'entendons pas ici par force la maladresse, mais comme la capacité d'induire et de régler effectivement et efficacement les transformations sociales. Une direction politique forte et la

crédibilité des hommes politiques sont considérés comme d'importants facteurs de succès d'une politique économique. L'Estonie en est un exemple positif.

La majorité des nouveaux États membres et pays candidats des PECO ont en fait instauré une *stratégie ciblée contre le travail non déclaré*. Parmi eux, citons:

- Les pays où ces stratégies ont été instaurées pendant les années 1990 et ont déjà produit un effet favorable, facilité par une situation économique en redressement stable (Estonie, République Tchèque et Slovaquie)
- Les pays ayant quelque expérience de cette stratégie, qui n'a cependant pas eu le temps de produire un effet notable (Lettonie, Lituanie)
- Les pays qui n'ont instauré cette stratégie que tout récemment (depuis 2000) et ont obtenu peu de résultats jusqu'ici (Bulgarie, Roumanie)

Partout, *on souligne les mesures institutionnelles* comme les règlements fiscaux, la réduction des cotisations de protection sociale, les règlements du marché de l'emploi, un meilleur contrôle du marché, une amélioration de l'environnement juridique, qui facilitent le processus d'enregistrement des entreprises et l'obtention des permis, etc. L'un des principaux facteurs de réussite dans la lutte contre le travail non déclaré, cependant, est le succès général et la stabilité du développement économique, la stabilité politique, l'intégration dans les marchés occidentaux (comprenant la présence de capitaux étrangers) et la libéralisation du commerce extérieur.

6 Bonnes pratiques

Ces dernières années, de nombreux États membres de l'Union européenne ont mis en œuvre des stratégies de lutte et/ou de transformation du travail non déclaré. Dans plusieurs pays, de nouvelles mesures ont été mises en œuvre, créant des innovations institutionnelles et modernisant les règlements juridiques ou fiscaux. Notre sommaire en cite quelques-uns.

Belgique : bons de services

Les bons de services, dit le ministre belge Vandembroucke, devraient être considérés comme une énorme expérience sociale, par laquelle la demande latente peut être transformée en emploi, des milliers de personnes ayant une position faible sur le marché du travail ont une chance et le travail non déclaré est transformé en emploi normal¹⁵

Le système est simple. Le foyer achète ses bons pour un prix de 6,20euros (pour une heure de travail) avec ces bons, le foyer peut payer les services rendus par des entreprises certifiées. Ces

¹⁵ Communiqué de Presse du 26 novembre 2003.

compagnies emploient les chômeurs. Au début, ces contrats peuvent être assez bénins et flexibles. Après six mois, cependant, l'entreprise doit offrir un contrat d'emploi fixe, au moins à mi-temps¹⁶. L'employé d'une entreprise certifiée a le droit d'effectuer les tâches suivantes :

- Nettoyage domestique
- Lavage et repassage
- Couture
- Commissions
- Préparation des repas.

Le foyer paie avec les bons. Le prix d'achat de ces bons est de 19,47 euros (il sera indexé à partir de 2005). La différence est versée à l'entreprise par le gouvernement fédéral. Les foyers peuvent récupérer 30 % du prix du bon sous forme de déduction fiscale. Le prix d'un bon d'une heure de travail est donc pour eux de 4,34 euros. Le gouvernement belge espère créer ainsi 25.000 emplois avant la fin de 2005.

Suède : un contrôle visible et imprévisible

Suite à un rapport de la Direction nationale suédoise du contrôle de la gestion publique (RRV), l'administration fiscale a mis en œuvre plusieurs changements de stratégie pour réduire les activités non déclarées en Suède. Un ingrédient important de cette nouvelle stratégie a été de rendre les mesures de contrôle aussi bien de l'autorité fiscale que des organismes payeurs d'avantages sociaux plus visibles et moins prévisibles pour en augmenter les effets préventifs.

La visibilité est en partie stimulée par des campagnes d'information. L'une des campagnes était spécifiquement ciblée sur les jeunes. Par une information gratuite aux écoles professionnelles et des campagnes dans les médias, on a informé sur les risques de la non-participation au système de protection sociale. Un sondage effectué après ces campagnes indique un net changement d'attitude parmi les jeunes.

France : les Chèques Emplois Services

En 1994, la France a instauré les Chèques Emplois Services (CES). L'objectif premier des CES était de simplifier le processus d'emploi et de rémunération d'un travailleur domestique et de versement des cotisations patronales. Avec les CES, n'importe qui peut employer légalement un travailleur domestique, sans avoir besoin de satisfaire à des procédures administratives ni à des contrats de travail, en payant le salaire avec les CES qui peuvent être achetés à la banque locale. Les

¹⁶ Pour d'autres que les chômeurs, les règles ne sont pas tout à fait les mêmes.

autres avantages des CES sont, par exemple, une déduction d'impôt sur le revenu de 50 % du montant dépensé en CES.

Depuis l'instauration des CES, le nombre total de foyers utilisant les services domestiques est passé à près de 800.000 en 2002¹⁷. Dans ce sens, les CES ont réussi à légaliser le marché noir de l'emploi en faisant adopter les CES par de nombreux consommateurs nouveaux.

Un système similaire a été créé en 1996, le Titre Emploi Service (TES). L'une des différences essentielles par rapport aux CES est que les TES ne sont pas obtenus auprès des banques mais par les agences pour l'emploi, les autorités régionales et locales et les organismes de sécurité sociale. Ces institutions donnent les TES à leurs employés pour leur permettre d'engager des employés domestiques.

Allemagne : les minijobs

Pendant les années 1970, le segment dit des emplois mineurs (*Geringfügige Beschäftigung*) a été lancé sur le marché allemand de l'emploi. Il est devenu de plus en plus populaire pendant les années 1990 comme une forme d'emploi à bon marché.

Jusqu'en 1999, les emplois mineurs ont été autorisés jusqu'à un certain niveau de revenus, 630 marks à l'époque, et un plafond de 15 heures par semaine. Ces emplois étaient totalement exemptés de cotisations sociales pour les employeurs tout comme pour les employés. Les employeurs devaient verser un impôt forfaitaire de 23 % ; les employés étaient totalement exemptés d'impôts. L'emploi mineur pouvait être combiné avec un emploi normal, et toujours exempté de taxes et de cotisations sociales. Il s'agissait d'un régime assez libéral qui permettait les petits emplois supplémentaires pour les employés, les étudiants et les retraités, ainsi que pour les épouses déjà couvertes par la sécurité sociale de leur époux salarié. Pendant les années 1990, les emplois mineurs ont augmenté de manière spectaculaire et sont devenus une part importante du marché de l'emploi. Au début de 1999, on recensait 6,5 millions d'emplois mineurs, qui représentaient près de 70 % de tous les emplois de la restauration et 60 % de tous les emplois de nettoyage.

Cette croissance des emplois mineurs a fini par constituer une menace à la base financière du système de protection sociale, en particulier les retraites et les assurances sociales. En outre, les syndicats craignaient la perte d'emplois normaux au profit d'emplois mineurs. Donc, en 1999, le gouvernement a quelque peu réformé le système des emplois mineurs, dans le but de limiter leur progression.

¹⁷ Adjerad, S. (2003). Dynamisme du secteur des emplois familiaux en 2002. DARES, Premières informations, Décembre, No. 51.1

En 2002, le gouvernement allemand a instauré trois types de minijobs.

Les jobs à 400 euros

Le plafond de salaire de 630 DM est passé à 400 euros. Dans cette limite de revenus, les minijobs bénéficient d'une réduction des cotisations sociales de 23 % (12 % pour le système d'assurances retraites et 11 % pour l'assurance-maladie) et une taxe forfaitaire de 2 %. L'un des changements majeurs de la réforme était la suppression du plafond de 15 heures hebdomadaires, ce qui augmentait la flexibilité du système pour les employeurs mais supprimait de fait le salaire minimum.

Les minijobs dans le secteur des ménages

Les minijobs domestiques ont été instaurés en particulier pour lutter contre les emplois non déclarés dans le secteur des ménages. Pour les minijobs domestiques, l'employeur doit payer une taxe de 12 % (5 % pour le système d'assurance retraite et 2 % comme impôt forfaitaire). En outre, l'employeur peut déduire un certain montant de son impôt sur le revenu (Diensmädchenprivileg).

Les midijobs

Pour faciliter le transfert d'un emploi mineur à un emploi normal, une zone de transition située sur une plage de revenus de 400,01 euros à 800 euros a été instaurée, les cotisations sociales de l'employé augmentant graduellement de 4 % environ au taux plein de 21 %.

Italie : *Le Comité pour l'émergence de l'économie souterraine*

La loi No. 448/98 a établi en 1998 un Comité national pour l'émergence de l'économie souterraine : "*Comitato per l'emersione del lavoro non regolare*" directement subordonné au cabinet du Premier ministre.

La mission première du Comité est d'analyser et de coordonner les initiatives de régularisation. En dehors du comité central, les comités régionaux et centraux ont été créés avec pour mission d'analyser les situations locales, de promouvoir des contrats et de fournir le soutien pour parvenir à des contrats de régularisation. Chaque comité régional comporte 15 membres, dont sept sont nommés par l'administration publique et huit sont désignés conjointement par les partenaires sociaux.

En outre un réseau de "tuteurs" régionaux a été mis sur pied. Les tuteurs sont des professionnels indépendants ayant exercé dans des disciplines socio-économiques, par exemple des juristes ou des économistes, et qui ont une connaissance profonde de la situation de l'économie et de l'emploi dans une région. Le comité national les engage temporairement comme conseillers indépendants. Leur mission principale est de soutenir le développement du processus régional de régularisation en

fournissant de l'aide aux entreprises qui désirent quitter l'illégalité et "refaire surface". L'un des tuteurs se décrit ainsi que ses collègues comme des "bureaucrates du rez-de-chaussée" car ils font leur travail sur la route, n'ont aucun point fixe ni de bureau central d'où ils effectuent leur travail, où l'entrepreneur peut venir chercher des informations.

7 Répartition entre les sexes

Dans la plupart des pays d'Europe occidentale ou orientale, les femmes effectuent moins de travail non déclaré que les hommes. La participation des femmes augmente avec le niveau de formation, en particulier dans les nouveaux États membres et les pays candidats étudiés ici.

Les femmes travaillent le plus souvent dans les secteurs d'activité traditionnellement féminins. Les femmes ne sont pas déclarées se trouvent dans le secteur des services (services personnels, soins), l'hôtellerie et la restauration, la santé, l'enseignement, les entreprises de nettoyage, etc. Peu de femmes se trouvent dans les gros secteurs informels que sont le bâtiment et la réparation. Les conditions de travail des femmes dans l'économie informelle sont dans l'ensemble moins favorables que celles des hommes. Les femmes sont engagées à des postes moins autonomes, elles gagnent moins et semblent effectuer ce travail non déclaré par nécessité économique plutôt que pour gagner un peu plus à côté, comme c'est le cas des hommes. Les emplois féminins non déclarés ont un caractère plus permanent que les emplois masculins non déclarés.

Dans une étude effectuée pour la Communauté européenne, le docteur Pfau-Effinger fait la relation entre l'incidence et les types d'emplois féminins non déclarés et les différents types de protection sociale des différents États. Dans les *régimes de protection sociale sociaux-démocrates*, ni la culture, ni le besoin n'incitent à recourir aux emplois féminins (domestiques) non déclarés, puisque l'État s'en charge. Dans les *régimes de protection sociale conservateurs* comme l'Allemagne de l'Ouest, la culture et l'offre de travail domestique ont abouti à une augmentation considérable du secteur domestique. Enfin, les pays de *tradition latine* ont des normes culturelles qui s'opposent au travail formel des femmes, et tendent fortement à les garder à la maison pour s'occuper de leur famille.

Malheureusement, il n'existe à ce jour que peu de données concrètes accessibles concernant la participation des femmes à l'économie informelle.

8 Stratégies recommandées

L'incidence du travail non déclaré a des causes profondes différentes selon les pays de l'Union européenne élargie. Ces causes varient en outre au sein des pays eux-mêmes. En conséquence, différentes approches doivent être utilisées selon les pays.

Toute stratégie doit être robuste : de constantes modifications doivent être évitées pour réussir. Par contre, la stratégie doit comporter une large variété d'outils et de modèles pouvant être utilisés dans différentes situations et circonstances à mesure qu'elles se font jour. Le rapport de recherche de la Communauté européenne "Le travail non déclaré en Europe" (2001) présente une mallette de possibilités stratégiques.

Un élément clé de toute stratégie de lutte contre le travail non déclaré devrait être, aussi bien dans les anciens États membres que les nouveaux, le renforcement de la confiance dans le gouvernement et dans ses institutions. Ce renforcement doit se baser sur des efforts de long terme conçu pour confirmer la morale de la communauté et accroître la confiance dans les institutions publiques. La modification des attitudes est un instrument très important dans la lutte contre le travail non déclaré, puisque les mesures de contrôle à elles seules, notamment par suite de ressources insuffisantes, ne peuvent suffire pour éliminer ce problème.

Deux mesures importantes pour parvenir à une évolution favorable des attitudes sont le lancement de campagnes d'information contre le travail non déclaré dans les différents pays et de faire adopter par les différents États - en coopération avec l'Union européenne - un code déontologique pour les fonctionnaires du secteur public. Un sommaire codifié des comportements éthiques et des codes de conduite comportant des directives bien définies et concrètes devrait être inculqué aux employés aussi bien des administrations publiques que des entreprises nationalisées. Il est également vital que l'Union européenne encourage le développement d'un code déontologique similaire dans le secteur privé, en concertation étroite avec les partenaires sociaux. En ce qui concerne les campagnes d'information, elles devraient être adaptées aux circonstances nationales ou même régionales, et viser à augmenter la confiance du public et son implication dans le financement des systèmes de protection sociale. Dans les nouveaux pays, les campagnes d'information devraient s'adresser directement aux jeunes. Ces derniers seraient les piliers de la transformation.

Les encouragements pour la transformation du travail non déclaré en emplois formels devraient être améliorés. Le fait de transformer volontairement les employés non déclarés en employés déclarés devrait séduire, dans le sens de ne pas impliquer de risques ni de frais. Les États membres seraient alors incités à développer des formes de régularisation, générale ou ciblée, permettant aux travailleurs clandestins et aux employeurs clandestins de se faire connaître, dans le sens de l'exemple italien. Les individus et les entreprises pourraient jouir d'une amnistie pour une période définie, qui leur offrirait d'être incorporés dans l'économie formelle sans crainte du coût.

La relation entre les impôts et les avantages sociaux doit être rendue clairement visible. Les États membres devraient éclairer cette relation pour permettre aux citoyens en percevoir les avantages, en termes de services, des sommes versées à l'impôt. Un exemple est le développement d'un système

de retraite où la relation est claire entre l'argent gagné et la constitution d'une retraite, comme c'est le cas dans de nombreux pays d'Europe occidentale.

La participation doit être simple. Lorsqu'une personne est demandée comme employé, il faut réduire à un minimum les demandes formelles et les procédures d'établissement d'une relation d'emploi légale. La bureaucratie inutile génère aussi bien un sentiment d'aliénation, en réduisant la motivation de participer au système, que des entraves pratiques que certains employeurs et employeurs ne trouvent pas qu'il vaut la peine de surmonter. Ils seront plutôt réticents à participer au projet comment. Le système belge comportant des bons de services et les emplois à 400euros en Allemagne sont un bon procédé sous cet aspect. Comme dans l'exemple italien cité précédemment, une organisation doit être élaborée dans les nouveaux États membres et dans les pays candidats pour aider les petits entrepreneurs à "faire surface" et sortir de l'économie informelle. Le système de tuteurs semble être satisfaisant. Le fait d'entrer dans l'économie formelle comme entrepreneur devrait être une perspective séduisante du point de vue financier et ne pas être entravé par la bureaucratie. De nouvelles formes légales simples, comme le Me-Inc allemand peuvent constituer ici un encouragement.

Dans les nouveaux États membres et pays candidats, la corrélation est élevée entre le taux d'économie informelle et son niveau moyen de revenus : la croissance économique générale travaille contre l'informalité, alors que la pauvreté et la faiblesse des réformes contribue à sa progression. C'est pourquoi il faudrait cibler les efforts, dans les États membres et les pays candidats les moins avancés, sur le développement d'institutions démocratiques et sur la stabilisation de la situation socio-économique générale. La stratégie de lutte contre le travail non déclaré est une préoccupation ultérieure.

Toutefois, d'autres facteurs doivent être considérés sérieusement, à savoir les traditions culturelles, qui confèrent un certain prestige au travail non déclaré dans une perspective de long terme, indépendamment des réglementations institutionnelles ou du succès financier. Dans de tels cas, il serait trompeur d'attendre des résultats rapides de toute combinaison de stratégies instaurée au niveau national ou international.

Parmi les facteurs culturels existants dans les nouveaux États membres et les pays candidats, certains résultent du passé socialiste récent et certains ont des racines historiques plus profondes. Les premiers sont plus faciles à surmonter. Accompagnés de réformes économiques et de changements institutionnels, ils appartiennent clairement aux effets temporaires de la transition. Les derniers sont plus stables et plus difficiles à combattre (même si les stratégies pour les combattre sont finalement instaurées).

Les nouveaux États membres nécessiteront peut-être des mesures supplémentaires. L'encouragement aux investissements et au commerce étrangers ainsi qu'à d'autres formes d'intégration étroite dans l'Union européenne devraient avoir un effet favorable. Ce processus est à double tranchant : il encourage l'Ouest à agir dans ce sens tout en stimulant les gouvernements d'Europe orientale à les soutenir. Sur ce point, il ne faudrait pas oublier les sensibilités héritées de la période socialiste (c'est-à-dire l'exploitation par "l'Ouest").

Pour comparer les divers pays et leurs économies informelles, il faut appliquer une définition commune aux États membres de l'Union européenne. En outre, le besoin se fait sentir de méthodes communes de collecte des données.

Nous estimons que l'Union devrait recommander aux États membres de collecter les données en utiliser une combinaison de méthodes, mais nous désirons souligner l'importance des méthodes directes. Cela ouvre la voie à une utilisation stable et efficace des ressources.

Très peu de données empiriques sont accessibles en ce qui concerne la situation des femmes dans le travail non déclaré. Pour cette raison, il est difficile de formuler des recommandations de stratégie sur ce sujet et nous constatons un net besoin de poursuivre la recherche dans ce domaine.

Zusammenfassung

1 Sachzusammenhang und Zweck der Studie

Die Schwarzarbeit hat sich, bei aller Zweideutigkeit seiner Begriffsinhalte, zu einem Strukturmerkmal europäischer Gesellschaften entwickelt. Bereits im Jahre 1998 führte die Europäische Kommission eine Debatte über die Gründe und Folgen der Schwarzarbeit innerhalb der Mitgliedsstaaten sowie über mögliche Vorgehensweisen, um diesem Phänomen zu begegnen. Zu diesem Zweck hat die Kommission den Organisationsplan Schwarzarbeit herausgegeben. Nach diesem Organisationsplan wurde unter der Autorität der Kommission eine Studie bezüglich der gegen Schwarzarbeit einzusetzenden Vorgehensweisen durchgeführt¹⁸. Die Studie hebt die Bedeutung kombinierter unterschiedlicher Vorgehensweisen im Kampf gegen die Schwarzarbeit hervor: eine gute Mischung bestehend sowohl aus Präventiv- als auch Sanktionsmaßnahmen. Der Bericht wurde im Februar 2002 vorgelegt.

Gemäß dem Organisationsplan und dem Studienbericht wurden EG-Initiativen zu diesem Thema Teil einer umfassenden, gezielten Strategie. Die Politik der Mitgliedsstaaten im Kampf gegen die Schwarzarbeit wurde im Kontext der Europäischen Beschäftigungsstrategie (EES) überwacht, und die Schwarzarbeit wurde Teil der neunten Beschäftigungsleitlinie.

Ungeachtet dessen sollte nach Meinung der Europäischen Kommission diesem Phänomen größere Aufmerksamkeit geschenkt werden. Aus diesem Grund wurden die Firmen Inregia AB und Regioplan BV beauftragt, eine Studie über mehrere spezifische Positionen bezüglich der Schwarzarbeit durchzuführen. Die Bedeutung dieser Studie wurde durch die Beschäftigungsleitlinien 2003 unterstrichen, in der die neunte Leitlinie ausschließlich der Schwarzarbeit gewidmet wurde. Im Mittelpunkt steht, dass von den Mitgliedsstaaten folgendes erwartet wird: "Entwicklung und Umsetzung eines breiten Aktions- und Maßnahmenplans zur Eliminierung der Schwarzarbeit, der die Vereinfachung des Geschäftsumfeldes, die Aufhebung von Anreizblockierungen sowie die Schaffung geeigneter Anreize im Steuer- und Leistungssystem, verbesserte Durchsetzung der Gesetze und die Anwendung von Sanktionen beinhaltet. Sie sollten die notwendigen Anstrengungen auf nationaler Ebene und EU-Ebene unternehmen, um den Umfang der Problematik und den auf nationaler Ebene erreichten Fortschritt zu bewerten".

¹⁸ Mateman, S. und Renooy, P. (2002), *Schwarzarbeit in Europa: Für einen integrierten Ansatz im Kampf gegen die Schwarzarbeit*.

1.1 Die Studie, Ziele und Untersuchungsmethoden

Ziel der Studie war die Untersuchung einer Reihe spezifischer Punkte, wie:

1. Die statistische Definition, Mess-/Bewertungsverfahren und Schätzungen des Umfangs der Schwarzarbeit in der EU und in den neuen Mitgliedsstaaten
2. Schwarzarbeit in den Bewerberländern und ihre Auswirkung auf den Arbeitsmarkt
3. Umfang der verschiedenen Arten der Schwarzarbeit
4. Feststellung der bewährten Praxis sowie der Weise, wie das Vorgehen mit dem Ziel, Schwarzarbeit in offizielle Beschäftigung umzuwandeln verbessert werden kann

Diese Ziele wurden in *Untersuchungsfragen* umgewandelt, pro Position jeweils vier Fragengruppen.

Der zur Anwendung gebrachte Ansatz, Antworten zu den Untersuchungsfragen zu erhalten, kann anhand der folgenden wesentlichen Punkte beschrieben werden:

- Desk Research (sekundärstatistische Auswertung)
- Fragebögen zum Umfang und den Verfahren
- Länderstudien durch nationale Experten
- Erarbeitung vorläufiger Schlussfolgerungen
- Seminar

Desk Research

Die Desk Research konzentrierte sich auf einschlägige Literatur über die informelle Wirtschaft und Schwarzarbeit. Diese Literatur bot uns einen Einblick in die Fragen bezüglich der Definition, des Umfangs und der Mess-/Bewertungsverfahren (Frage 1). Zum Zweck der sekundärstatistischen Auswertung wurde die Literatur sehr sorgfältig durchgearbeitet. Im Anhang findet sich eine Übersicht der zugrunde gelegten Literatur.

Fragebogen zum Umfang und den Verfahren

Um verlässliche und vergleichbare Informationen zur Verbreitung und Struktur der Schwarzarbeit in den einzelnen Ländern zusammenzutragen, haben wir an die Statistischen Bundesämter (SB) der Mitgliedsstaaten einen Fragebogen gesandt mit der Bitte, uns ihre neuesten Schätzungen zu dieser Angelegenheit anhand zu geben. Der Fragebogen enthielt auch die Frage der Umsetzung der Schwarzarbeit in zusätzliche gemeldete Arbeit.

Länderstudien

Um Antworten auf die Fragen bezüglich der Schwarzarbeit in den neuen Mitgliedsstaaten zu erhalten, haben wir ein Netz von Experten in den betreffenden Ländern Zentral- und Osteuropas eingesetzt (CEE, Liste im Anhang). Jeder von ihnen hat anhand der ihnen von uns zugesandten Fragen eine Länderstudie erstellt. Die Fragen decken sich mit denjenigen unter obiger Überschrift 2). Diese Experten legten uns die neuesten und relevantesten Daten bezüglich der Schwarzarbeit in ihrem jeweiligen Land vor.

Seminar

Im Anschluss an die Länderstudien wurde ein Seminar abgehalten, in dem die wesentlichen Vorhab-Schlussfolgerungen mit den Experten der verschiedenen Länder diskutiert wurden, EC, Eurostat und weiteren einschlägigen Untersuchungsexperten.

2 Definitionen

In den letzten Jahren wurde das in dieser Studie diskutierte Phänomen mit einer Reihe blumiger Begriffe beschrieben. Hier einige Beispiele: Informelle Wirtschaft, verborgene Wirtschaft, Bar-auf-die-Hand Wirtschaft, Mondlicht-, Zwielight-, duale, Unterwelt-, Parallel-, Untergrund-, Sekundär-, inoffizielle und Schattenwirtschaft. Die in den verschiedenen Sprachen verwendeten Begriffe sind ähnlich. Leider findet sich beinahe die gleiche Anzahl Beschreibungen des Phänomens auch in der Literatur. Viele dieser Beschreibungen unterscheiden sich in den verwendeten Beschreibungselementen (Arbeit, Aktivitäten, bezahlte Arbeitsleistung etc) oder in den verwendeten Unterscheidungskriterien, mit dem Schwergewicht einmal auf rechtlichen Aspekten, ein anderes Mal auf statistischen Aspekten, dann wiederum auf steuerlichen Aspekten.

In dieser Studie steht die "Arbeit" im Mittelpunkt und stellt das Hauptelement dar, wobei wir "Meldung gemäß den nationalen Erfordernissen" als Kriterium benutzen, unter dem die Schwarzarbeit zu verstehen ist. Definition:

" produktive Aktivitäten, die in Bezug auf ihre Natur dem Recht entsprechen, die den öffentlichen Behörden jedoch nicht gemeldet werden, bei Inbetrachtziehung der Unterschiede in den Regelsystemen zwischen den einzelnen Mitgliedsstaaten."

Diese Definition stimmt auffallend mit der der Untergrundproduktion und der Produktion der Haushalte für den Eigenendbedarf nach der Terminologie der OECD für die Wirtschaft im Verborgenen überein.¹⁹

Diese Definition bildet den Ausgangspunkt unserer Analyse. Die Realität ist jedoch komplizierter. Im Zuge der Analyse waren wir gezwungen, die verschiedenen Ansätze zur Frage der informellen Wirtschaft zu verwenden, auf die wir in den einzelnen Ländern stießen. Diese Ansätze waren selten ähnlich, sondern in mehreren Details tendenziell unterschiedlich.

3 Mess-/Bewertungsverfahren

Die Bewertung des Umfangs und der Struktur der Schwarzarbeit erfordert höchste Präzision. Aufgrund ihrer Natur – der Tatsache, dass sie nicht beobachtet oder erfasst wird – sind verlässliche Schätzungen nur sehr schwer zu erreichen. Häufig kommen indirekte Methoden zum Einsatz, insbesondere monetäre Verfahren, bei denen zum Beispiel die Entwicklung des Verhältnisses zwischen Bargeldeinlagen und täglich fälligem Geld als Indikator für das Bestehen und die Entwicklung einer informellen Wirtschaft dient. Experten der OECD kamen bei der Erarbeitung ihres Handbuchs zur Bewertung der Wirtschaft im Verborgenen zu dem Schluss, dass diese Verfahrensart von nur begrenztem Nutzen ist.

Ein weiteres kürzlich in mehreren Ländern verwendetes Verfahren ist die erwerbsstatistische Methode. Dabei werden Informationen auf der Bedienungsseite des Arbeitsmarktes – beispielsweise den Erhebungen der Beschäftigungszahlen entnommen – und mit den Informationen auf der Bedarfsseite – z. B. von Firmenerhebungen - verglichen. Eurostat erachtet diese Methode für nützlich zur Erreichung erschöpfender nationaler Ergebnisse, verbindet mit ihr jedoch gleichzeitig eine Reihe von Gefahren bei dem Versuch, den Umfang der Schwarzarbeit in puncto Arbeitseinheiten zu bewerten.

Eine dritte Möglichkeit der Bewertung basiert auf der ökonometrischen Modellbildung. Mit der Verwendung bestimmter Indikatoren eines nicht deklarierten Teils der Wirtschaft und einer Gruppe angenommener bestimmender Faktoren (Gründe), wird durch die Modellbildung ein Hinweis auf den Umfang erreicht. Die häufig zitierten Zahlen von Professor Schneider wurden größtenteils auf diese Weise erzielt.

Während des im Zuge dieser Studie durchgeführten Seminars waren sich die Experten darüber einig, dass den direkten Methoden für das Studium der Schwarzarbeit der Vorzug zu geben ist. Der Begriff “direkte Methoden” bezieht sich speziell auf die Beobachtungen, Gespräche und Erhebungen auf der Bedienungsseite. Untersuchungen dieser Art wurden bisher eher selten durchgeführt. Der wichtigste Grund dafür scheint, abgesehen von technischen und organisatorischen Gründen, in der Furcht begründet zu sein, falsche Antworten zu erhalten: die Bedeutung, die den Ergebnissen einer solchen Untersuchung beigemessen werden sollte, hängt zum großen Teil von der Art der Studie ab, bei der das Befragungsverfahren und der Schutz der

¹⁹ OECD (2002), *Handbuch zur Bewertung der verborgenen Industrie*. Paris.

Anonymität eine ganz entscheidende Rolle spielen. Kürzlich wurden vielversprechende Resultate in international vergleichbaren direkten Erhebungen erzielt.

4 Schwarzarbeit in der EU15: Umfang, Bemessung/Bewertung und Vorgehensweise

Informationen über den Umfang und die Struktur der Schwarzarbeit, die von verlässlichen Verfahren abgeleitet werden können, sind karg. Untersuchungen zu diesem Thema werden nur in sehr wenigen Ländern durchgeführt. Vor diesem Hintergrund haben wir Informationen der Statistischen Bundesämter der verschiedenen Länder mit den Ergebnissen aus der von Pedersen in fünf europäischen Ländern²⁰ durchgeführten Studie kombiniert, um einen Überblick über die Verbreitung der Schwarzarbeit in den Mitgliedsstaaten der EU15 zu erlangen. Unsere Ergebnisse sind hier kurz zusammengefasst:

Tabelle 1 Kurzzusammenfassung der Ergebnisse

Land	Jahr	Größe (% BIP)
Österreich	1995	1,5
Belgien	1995	3 - 4
Dänemark	2001	5,5
Finnland	1992	4,2
Frankreich	1998	4 - 6,5
Deutschland	2001	6
Griechenland	1998	> 20
Irland		n.z.
Italien	1998/2002	16 -17
Luxemburg		n.a.
Niederlande	1995	2
Portugal	1996	5
Spanien		n.z.
Schweden	1997	3
GB	2000	2

Es ist sehr bedauerlich, dass es keine Möglichkeit gab, voll vergleichbare internationale Daten zur Verbreitung der Schwarzarbeit zu erhalten. Dennoch könnte man zu dem Schluss kommen, dass viele Länder zur Verbreitung von Schwarzarbeit relativ niedrige Zahlen angeben (um oder weit niedriger als 5 % des BIP). Ausnahmen von dieser Regel finden sich in den südeuropäischen Ländern, wie Italien und Griechenland.

²⁰ Pedersen, S. (2003), *Die Schattenwirtschaft in Deutschland, Großbritannien und Skandinavien. Eine Bewertung auf der Grundlage von Fragebogenuntersuchungen*, The Rockwool Foundation Research Unit, Copenhagen.

Die Tatsache, dass Mitgliedsländer bei der Bewertung der Schwarzarbeit wenig tun, bedeutet auch, dass nur wenige Länder sich über die genaue Definition der Schwarzarbeit oder informellen Wirtschaft Gedanken machen. Diejenigen Länder, die auf unsere Fragen zu diesem Thema reagiert haben, blieben sehr nahe an den SNA-93-Beschreibungen (Untergrund-Produktion).

Betrachten wir die Beteiligung an der informellen Wirtschaft, stellen wir fest, dass diese von Männern dominiert wird, die häufig auch reguläre Beschäftigungsverhältnisse unterhalten, in der Regel gut ausgebildet sind und zu der dynamischen Altersgruppe zwischen 25 und 45 Jahren gehören. Diese Gruppe findet im informellen Arbeitsmarkt eine bessere Position. Andere, wie Frauen, Studenten und Arbeitslose übernehmen die schlechteren Positionen, verdienen weniger und arbeiten länger in weniger attraktiven Jobs.

Der Bereich, in dem der größte Teil der Schwarzarbeit erfolgt, ist der Bausektor. In der Pedersen-Studie bildet Deutschland die einzige Ausnahme, wo Arbeit in der Landwirtschaft, einschließlich Gartenarbeiten, noch über dem Bausektor liegen. Neben diesen beiden Sektoren wird Schwarzarbeit am häufigsten im Hotel- und Gastronomiebereich angetroffen und, obgleich von Pedersen nicht erwähnt, im privaten und häuslichen Bereich.

Es gibt keine allgemeingültigen, universellen Gründe für die Existenz und Entwicklung der Schwarzarbeit. Sie stellt eine komplexe Verzahnung zwischen verschiedenen Variablen dar, die sich in den einzelnen Ländern unterschiedlich darstellen und zu den informellen Wirtschaften führen. Abgesehen von wirtschaftlichen Gründen, wie steuerliche Lasten oder Unbeweglichkeit in den Märkten spielt das Vertrauen in die und Qualität der Regierung eine wesentliche Rolle. Darüber hinaus darf hier die Rolle der Kultur nicht außer Acht gelassen werden.

Als Reaktion auf die Beschäftigungsleitlinie Nr. 9 haben alle Mitgliedsstaaten bezüglich der Schwarzarbeit eine Vorgehensweise erarbeitet. Große Aufmerksamkeit wird den Maßnahmen geschenkt, die zur Vereinfachung von Richtlinien und Bestimmungen führen und die administrative Belastung für die Arbeitgeber reduzieren. In einigen Ländern wird auch die Starrheit des Arbeitsmarktes bekämpft. In den meisten Ländern erfolgen strengere Kontrollen, sei es mit Hilfe der Errichtung neuer Kontrollbehörden oder durch Befugnisserweiterung für die Arbeit der bestehenden Behörden.

In wenigen Ländern, wie Belgien und Deutschland, wurden vollständig neue institutionelle Vereinbarungen entwickelt, um die Gründe für die Schwarzarbeit in einigen Sektoren der Wirtschaft, wie persönlicher und häuslicher Bereich, an der Wurzel zu packen. Ähnliche Initiativen wurden in den frühen 90er Jahren in Frankreich und Dänemark ergriffen.

5 Schwarzarbeit in den neuen Mitgliedsstaaten und Bewerberländern⁴

In dieser Untersuchung wurde der Situation in den neuen Mitgliedsstaaten und Bewerberländern in Mittel- und Osteuropa besondere Aufmerksamkeit geschenkt.

Arbeit außerhalb der formellen Wirtschaft ist für die post-sozialistischen Länder kein neues Phänomen. Unter der zentralistischen Wirtschaft gab es diese in den meisten dieser Länder auch schon, obgleich der Anteil an der Wirtschaft unterschiedlich war. Der Umfang einer solchen informellen Wirtschaft während der sozialistischen Zeit war zum großen Teil davon abhängig, wie groß die Toleranz der Schwarzarbeit innerhalb der Bevölkerung und seitens der Regierungen war. Viele Formen der informellen Arbeit wurden als normal betrachtet, d. h. innerhalb der sozialen Normen, und die Behörden unternahmen nicht einmal den Versuch, diese zu registrieren (insbesondere der Anbau und Verkauf von Agrarprodukten, Ausführung kleiner Reparaturarbeiten gegen Bezahlung, "Hilfe" beim Bau von Datschen etc.). Dennoch wurden einige Aktivitäten als informeller wahrgenommen (nicht angemeldete medizinische Dienste, Unterrichtung von künftigen Studenten). Vor dem Hintergrund der unflexiblen zentralistischen Wirtschaft und des Mangels an Dienstleistungen wurden sie als unvermeidbar und sogar nützlich gerechtfertigt (in den kapitalistischen Wirtschaften werden diese Nischen häufig von kleinen Unternehmen und Einmann-Firmen belegt). Strafen für diejenigen, die ins Netz gingen, waren in der Regel nicht sehr hoch.

Zur gleichen Zeit, als die Zentralplanung und die unterdrückten Geschäftsaktivitäten in allen sozialistischen Wirtschaften gang und gäbe war, bestanden klare Unterschiede zwischen den Regimen bezüglich ihrer Haltung gegenüber der Schwarzarbeit. In der Tschechoslowakei war die Gesetzgebung bezüglich privater Firmen sehr streng, die Strafen waren hoch. Folglich war zu sozialistischen Zeiten die informelle Wirtschaft recht klein (sie lag z. B. in der Slowakei nicht höher als 3-5 % des BIP). Dagegen tolerierten Polen und Ungarn einen privaten Sektor im Einklang mit dem Gesetz, wodurch die bereits seit langem bestehende Tradition des privaten Unternehmertums unterstützt wurde. Im Jahre 1980 erreichte die sogenannte Zweitwirtschaft in Ungarn 13 % des BIP, im Jahre 1989 16 %⁵

Man sollte jedoch von diesen Bewertungen nicht zu viel Genauigkeit erwarten. Selbst in den Ländern, in denen der Umfang des informellen Sektors während des Sozialismus im Vergleich mit dem heute herrschenden Niveau unbedeutend war, es hat ihn gegeben, konzentriert auf einige Bereiche, wie Leistungen im häuslichen Bereich oder im Bau. Damit ist für die Experten aus diesen Ländern ebenfalls eine Grundlage gegeben zu sagen, dass sich unter dem Sozialismus die Schwarzarbeit ausgebreitet hat und zu einem integralen Bestandteil der wirtschaftlichen Kultur wurde.

5.1 Umfang und Dynamik der Schwarzarbeit

Für jedes der Länder Mittel- und Osteuropas (CEE) gibt es unterschiedliche Schätzungen bezüglich des Umfangs der Schwarzarbeit, basierend auf unterschiedlichen Verfahren. In einigen Fällen schwanken sie sehr stark. *Die Skala der Schätzungen in den Ländern, in denen der Anteil an der informellen Industrie höher liegt, ist dort deutlich breiter*, wo die nationale Regierung kein klares Bild davon hat, was in diesem Sektor passiert und somit keine korrekten Statistiken liefern kann. In diesen Fällen bauen die internationalen Organisationen ihre Bewertungen auf indirekten Indikatoren auf.

Unter den gegebenen Umständen bevorzugen wir für die Auswahl eines wahrscheinlich „korrekten“ Wertes für jeden Einzelfall die Verwendung eines Schätzungsspektrums. Nachteil dabei ist, dass die Klassifikationsgrenzen weniger klar sind. Darüber hinaus ändert sich die laufende Übergangssituation recht schnell, so dass über einen längeren Zeitraum nicht mit stabilen Werten zu rechnen ist. Dies schließt die Existenz ziemlich klarer Kategorien in denjenigen Ländern nicht aus, die bei der Schwarzarbeit sowohl ein unterschiedliches Niveau als auch einen anderen Umfang aufweisen.

Tabelle 2 Umfang der Schwarzarbeit in ausgewählten Ländern der CEE

Land	Jahr	Schätzung (% BIP)
Bulgarien	2002/03	22-30
Tschechien	1998	9-10
Estland	2001	8-9
Ungarn	1998	18
Lettland	2000	18
Litauen	2003	15-19
Polen	2003	14
Rumänien	2001	21
Slowakei	2000	13-15
Slowenien	2003	17

Betrachtet man das Spektrum und die Dynamik der Schwarzarbeit in der CEE, sind drei Ländergruppen klar erkennbar.

- 1) Länder, in denen der Anteil der Schwarzarbeit relativ niedrig ist (ca. 8-13 % des BIP) und abnimmt.

Zu dieser Gruppe zählen die Tschechische Republik, Estland und die Slowakei. In der Slowakei hat sich der Anteil der Schwarzarbeit stabilisiert, seit kurzem zeichnet sich ein

Abwärtstrend ab, während in der Tschechischen Republik und in Estland die Schwarzarbeit seit Mitte der 90er Jahre abgenommen hat. Es handelt sich hier um Länder, in denen im Vergleich die soziale und wirtschaftliche Grundlage für Verstöße gegen das Regelwerk nie sehr stark war und in denen die derzeitigen Regierungen eine größere Chance in der Bekämpfung haben (mehr Vertrauen in den Staat, größeres Bewusstsein der Bürger, besser funktionierende Rechtssysteme).

- 2) Länder mit einem mittleren Schwarzarbeit-Anteil (14-23 %), wobei dieser bei den meisten seit Mitte der 90er Jahre sinkt.

Zu dieser Gruppe gehören Polen, Slowenien, Ungarn, Litauen und Lettland. Die ersten drei Länder sind dafür bekannt, dass sie eine lange und tief verwurzelte Tradition in informeller Wirtschaft haben. Lettland und Litauen sind aus der früheren UdSSR hervorgegangen und haben Reformen folglich langsamer eingeführt als viele ihrer mittel- und osteuropäischen Nachbarn. Sie haben eine tiefer verwurzelte Bürokratie nach sowjetischem Vorbild, und die wirtschaftliche Struktur hinkt nach.

- 3) Länder mit einem hohen und noch wachsenden Anteil an Schwarzarbeit (21-22 % nach NBS, Schätzungen der nationalen Experten und internationalen Organisationen sprechen von 30-37 %).

Zu dieser Gruppe gehören Bulgarien und Rumänien, in denen die informelle Wirtschaft eine lange Tradition hat und der Staat noch zu schwach (oder nicht willens) ist, diese zu bekämpfen.

Anfang der 90er Jahre befanden sich alle der Übergangswirtschaften in einer wirtschaftlich rezessiven Phase, die innerhalb der CEE von einer stetigen Erholung abgelöst wurde (anders als in den meisten aus der UdSSR hervorgegangenen Ländern im Osten). Daraus ergab sich, dass das anfängliche Wachstum der Schwarzarbeit in eine Stabilisierungsphase überging und schließlich zurückging. In den meisten neuen Mitgliedsstaaten nimmt der Anteil der Schwarzarbeit seit Mitte der 90er Jahre ab, wobei diese Reduzierung mit einer Verzögerung um ein paar Jahre nach dem Wendepunkt der wirtschaftlichen Tendenzen eintrat. Gemäß den Daten der nationalen Experten begann der Rückgang in einigen Ländern erst vor kurzer Zeit (Lettland, Slowakei). In Polen zeigt sich nach einem Rückgang seit 1995 in den letzten zwei Jahren ein Anstieg des Anteils der Schwarzarbeit. Die Gründe dafür liegen in den deutlich gestiegenen Arbeitslosenzahlen.

Der größte Teil der Schwarzarbeit in den Nachfolgestaaten der UdSSR konzentriert sich auf dieselben Bereiche wie allgemein in der EU. Der Unterschied besteht in dem Anteil, den diese

Bereiche zeigen, sowie in den ihre Entwicklung begünstigenden Prozesse. Zu den interessantesten Phänomenen in den Ländern der CEE gehören folgende:

- Die Bedeutung des Einzelhandels und des Hotel-/Gastronomiebereichs
- Existenz einer Bedarfsdeckungswirtschaft mit Schwerpunkt Landwirtschaft, typischer für Entwicklungsländer
- Relativ hohe Bedeutung der freier Berufe
- Relativ niedrige Verbreitung der Schwarzarbeit im Fertigungsbereich

Will man die Formen der informellen Wirtschaft in den Ländern der CEE charakterisieren, ist besonders auf die verbreitete Praktik der "Lohntütengehälter" zu achten, bei der nur ein Mindestgehalt offiziell deklariert wird und ein weiterer Teil bar in einem Umschlag ausgezahlt wird. Diese Form der Schwarzarbeit besteht in praktisch allen Ländern der CEE, sie scheint jedoch in Ländern mit niedrigerem wirtschaftlichem Entwicklungsniveau, die in einer frühen Übergangsphase stecken, am stärksten verbreitet zu sein. Beispielsweise haben sich in der Tschechischen Republik oder in Estland, in denen sich die Rechtskultur recht schnell entwickelt, die Lohntütengehälter nur noch in bestimmten Sektoren der Wirtschaft gehalten (Hotel, Gastronomie, kleine Einzelhandelsbetriebe), und sie nehmen weiter ab.

In Ländern mit einem niedrigeren Pro-Kopf-BIP (Bruttoinlandsprodukt) und einer weniger entwickelten Geschäftskultur scheinen Lohntütengehälter beliebter zu sein, da sie der leichteste Weg zur Vermeidung von Steuern sind. In Litauen dominiert die Erklärung niedrigerer Zahlen (nicht die Nichtangabe!) von Einkommen sämtliche Formen der Schwarzarbeit, worin nach Meinung der nationalen Experten der Hauptgrund für die Unzuverlässigkeit aller Verfahren zu sehen ist, die zur Bewertung der informellen Wirtschaft in diesem Land zum Einsatz kommen. In Bulgarien und Rumänien ist dies ebenfalls eine wohl bekannte Praktik in allen Wirtschaftsbereichen.

Ein weiteres, wichtiges Merkmal der Schwarzarbeit in den Mitgliedsstaaten der CEE und den Bewerberländern ist die *Verknüpfung mit nach den Gesetzen geführten Geschäften*. Kleine eingetragene Unternehmungen bedienen sich häufig Sub-Vertragspartnern aus dem informellen Teil der Wirtschaft, auch wenn sie selbst eine weiße Weste vorgeben. Dies hat Befürchtungen Vorschub geleistet, dass die Unterdrückung informeller Aktivitäten negative Auswirkungen auf den privaten Firmensektor haben könnten. In einigen Ländern trifft dies auch auf große (davon auch viele noch staatliche) Firmen zu, die Lohntütengehälter bezahlen. Für viele dieser Unternehmen ist dies eine Überlebensstrategie und wird als temporäres Arrangement zu Zeiten des instabilen Übergangs betrachtet, um dazu beizutragen, gut ausgebildetes Personal zu halten.

Korruption wird von mehreren Experten als wichtige Barriere auf dem Weg zu demokratischen Reformen hervorgehoben (Bulgarien, Rumänien, Litauen) und auch als Faktor, der das Funktionieren einer größenbestimmbaren informellen Wirtschaft erleichtert.

5.2 Gestaltungsfaktoren

Die Faktoren, mit denen die Schwarzarbeit innerhalb der CEE erklärt werden kann, ließen sich in drei Hauptgruppen unterteilen:

- 1) *Gesellschaftlich-wirtschaftliche/Marktfaktoren*, die die derzeitigen gesellschaftlich-wirtschaftlichen Tendenzen und die Struktur der nationalen Wirtschaft widerspiegeln;
- 2) *Institutionelle Faktoren*, verstanden als Regulierungsbündel, das ein besseres Funktionieren des politischen und wirtschaftlichen Systems erlaubt, und
- 3) *Soziale Faktoren*, worunter alle Arten der Reaktion der Bürger auf das politische und wirtschaftliche System gemeint sind, einschließlich der kulturellen Traditionen und des Verhältnisses zwischen der Einzelperson, der Gesellschaft und dem Staat.

Gesellschaftlich-wirtschaftliche Faktoren werden in der Regel weniger häufig als die institutionellen und sozialen Faktoren genannt und beinhalten folgende Punkte:

- Rascher Strukturwandel, der zu Veränderungen auf dem Arbeitsmarkt führt und Nischen für die Schwarzarbeit erzeugt
- Arbeitslosigkeit, die gleichermaßen als wichtiger Faktor in Ländern mit hoher (Polen, Slowakei mit 18-20 %) und niedriger (Slowenien, Tschechische Republik und Ungarn mit 6-10 %) Arbeitslosigkeit genannt wird und viele billige Arbeitskräfte hervorbringt
- Hoher Anteil im öffentlichen Sektor (Polen)
- Fortschreitende Privatisierung und Umstrukturierung der staatlichen Unternehmen
- Gesellschaftlich-demografische Merkmale, wie die demografische Explosion in Polen oder eine Armee von Frührentnern in Slowenien (Verfügbarkeit von Arbeitskräften)
- Armut (überraschenderweise ein Kriterium für Slowenien, das das höchste durchschnittliche Pro-Kopf-BIP unter allen neuen Staaten aufweist, gleich mit Rumänien, das an unterster Stelle der Liste steht)

Ein starker Faktor, der die Schwarzarbeit in den CEE-Ländern moderater ausfallen lässt, scheint *die Verfügbarkeit ausländischen Kapitals* zu sein. Auf diesen Faktor wird von den estnischen, ungarischen und bulgarischen Experten ausdrücklich hingewiesen (wobei zu beachten ist, dass alle drei Ländertypen vertreten sind), er funktioniert jedoch in jedem Fall auf die gleiche Weise wie in anderen Ländern. Der größte Teil der Firmen versucht, die Schwarzarbeit zu vermeiden, so ist ihr Anteil in den von ausländischem Kapital bevorzugten Sektoren, wie Finanzdienstleistungen, Kommunikation und verarbeitende Industrie, relativ gering, wobei er deutlich in den Bereichen

höher liegt, die von inländischem Privatkapital dominiert werden (Landwirtschaft, Bau, persönliche Dienstleistungen).

Institutionelle Faktoren nehmen den wichtigsten Platz unter den Faktoren ein, mit denen die Schwarzarbeit innerhalb der CEE erklärt wird. Zu den am häufigsten erwähnten zählen:

- Hohe Steuerlast und hohe Sozialabgaben (von allen Mitgliedsländern und Bewerberländern)
- Unterentwickelte institutionelle Infrastruktur (zu kompliziertes und instabiles Rechtssystem, schwache Finanzsektoren, niedriges Steuerprüf-Niveau, nicht angemessene Anzahl von Zollbüros, unflexible Beschäftigungsbestimmungen)
- Überregulierung und Bürokratie (komplizierte Regeln für Eintragung und Buchführung, teures Lizenzsystem, Hemmschwellen bei den unternehmerischen Aktivitäten)
- Stärke oder Schwäche der staatlichen und öffentlichen Verwaltung und deren Stabilität
- Einmischung des Staates in private Geschäfte

Die *„sozialen“ Faktoren* lassen sich unterteilen in diejenigen, die mit den zurückliegenden sozialistischen Zeiten verknüpft sind, und in diejenigen, die auf lange kulturelle Traditionen zurückblicken.

Das *Erbe des Sozialismus* wird praktisch von allen Experten genannt, wobei die Aussagen von dem moderaten *“von der sozialistischen Wirtschaft übernommene Haltungen”* (Estland) bis zum dramatischeren *“Geschichte der Bekämpfung ausländischer Behörden”* (Polen) reichen. Die wesentlichsten Elemente der sozialistischen Wirtschaftskultur werden wie folgt beschrieben:

- Negative Wahrnehmung der Rolle des Staates (der viel nimmt und wenig gibt)
- Opposition gegenüber jeglicher Art offizieller Institutionen und etablierter Normen
- Vertrauensmangel in die öffentlichen Institutionen
- Mangelndes Verständnis für die Verknüpfungen zwischen gezahlten Steuern und erhaltenen Sozialleistungen
- Gleichheitsdenken: negative Haltung gegenüber jedem Einkommensmissverhältnis, insbesondere zwischen dem privaten und dem öffentlichen Sektor, sowie gegenüber jeder Art sozialer Ungleichheit
- Unterschätzung der verschobenen Leistungen aus der Sozialversicherung im Vergleich zu den sofortigen Vorteilen, die aus der Schwarzarbeit gezogen werden können
- Die Vorstellung der Bevorrechtigung des Herstellers gegenüber dem Verbraucher, die noch aus der Zeit der *“Knappheitswirtschaft”* stammt (z. B. die Dienstleistung hat als solche ihren Wert, wobei der Empfänger dieser Dienstleistung dem Erbringer dafür dankbar sein sollte), und als Folge ein begrenztes Verständnis und Praktik des Verbraucherschutzes

- Ein schwach ausgeprägtes Verständnis des Kapitalismus, der als “Gesetz des Stärkeren” betrachtet wird, in dem jede Art der Einkommensbeschaffung gerechtfertigt ist

Ein wesentlicher Teil des Erbes aus prä-sozialistischen und sozialistischen Zeiten ist die ererbte Verwaltungskultur, die deutlicher in den weniger fortschrittlichen Ländern der neuen Mitglieds- und Bewerberländern offenkundig wird.

Wie im Fall der Verwaltungspraktiken reichen die Traditionen der informellen Wirtschaft nicht nur in den Sozialismus zurück, sondern sicherlich auch noch in die *prä-sozialistische Zeit*. Zu den langfristigen historischen Faktoren dieser prä-sozialistischen Tradition gehören:

- Tradition der Kleinbauern, besonders in Ländern, in denen kleine Landwirtschaftsbetriebe/Bauernhöfe nach wie vor eine große Bedeutung haben (z. B. Polen oder Slowenien)
- Kulturelle Wurzeln, die bis in die imperialistische Geschichte zurückreichen, an die Grenzen der europäischen Reiche, da der größte Teil der CEE-Staaten Teil dieser Reiche waren
- Mangelnde Demokratieerfahrung vor dem Sozialismus

Dreh- und Angelpunkt in der Regulierung und Kontrolle der Schwarzarbeit ist die *Stärke des Staates*. Hier soll Stärke nicht im Sinne straffer Zügel verstanden werden, sondern als Fähigkeit, den sozialen Wandel wirkungsvoll und effizient durchzuführen und zu regulieren. Eine starke politische Führung und Glaubwürdigkeit der Politiker werden als wichtige Faktoren für eine erfolgreiche Wirtschaftspolitik betrachtet. Estland ist ein positives Beispiel.

Der überwiegende Teil der neuen CEE-Mitgliedsländer und Bewerberländer haben *eine zielgerichtete Politik im Kampf gegen Schwarzarbeit*. Zu diesen zählen:

- Länder, in denen diese Vorgehensweisen in den 90er Jahren begonnen wurden und die bereits durchaus positive Ergebnisse erzielt haben, begünstigt durch eine stetig aufwärtsgerichtete wirtschaftliche Situation (Estland, Tschechische Republik und Slowakei)
- Länder, in denen eine solche Vorgehensweise bereits eingeführt, jedoch noch nicht sehr wirkungsvoll ist (Lettland, Litauen)
- Länder, die diese Vorgehensweise erst vor kurzer Zeit eingeführt haben (seit 2000) und bisher nur geringe Ergebnisse erzielt haben (Bulgarien, Rumänien)

Überall wird *der Schwerpunkt auf institutionelle Maßnahmen* gelegt, wie Steuerregulierung, Senkung der Sozialbeiträge, Arbeitsmarktregulierung, bessere Marktkontrolle, Verbesserung des Rechtsumfeldes, Vereinfachung der Firmengründungsprozesse und Erlangung von Genehmigungen etc. Einer der wichtigsten Erfolgsfaktoren im Kampf gegen die Schwarzarbeit sind der allgemeine

Erfolg und die Stabilität der wirtschaftlichen Entwicklung, die politische Stabilität, die Integration in die westlichen Märkte (einschließlich die Verfügbarkeit von ausländischem Kapital) sowie die Liberalisierung des Auslandshandels.

6 Gute Praktiken

In den zurückliegenden Jahren haben zahlreiche EU-Mitgliedsländer eine Politik zum Kampf gegen und/oder zur Transformation der Schwarzarbeit eingeführt. In einigen Ländern wurden neue Maßnahmen eingeführt, die zu institutionellen Innovationen und zur Modernisierung der rechtlichen und/oder steuerrechtlichen Grundlagen führten. In der folgenden Zusammenfassung werden einige von ihnen näher beleuchtet.

Belgien: Dienstleistungsscheine

Dienstleistungsscheine sollten, so der belgische Minister Vandenbroucke, als großes soziales Experiment gesehen werden, bei dem der latente Bedarf in Arbeit umgewandelt werden kann, Tausenden Schwachen des Arbeitsmarktes wird eine Chance gegeben, und die Schwarzarbeit in normale Arbeit umgewandelt.⁶

Dieses Schema ist einfach. Der Haushalt kauft diese Scheine für einen Preis von € 6,20 (für eine Arbeitsstunde). Mit diesen Scheinen kann der Haushalt die von eingetragenen Firmen erbrachten Leistungen bezahlen. Diese Firmen wiederum werben Arbeitslose an. Im Anfangsstadium können diese Verträge relativ klein und flexibel sein. Nach 6 Monaten jedoch muss die Firma einen dauerhaften Vertrag zumindest für eine Halbtagsbeschäftigung anbieten.⁷ Ein Mitarbeiter einer eingetragenen Firma darf folgende Tätigkeiten ausführen:

- Gebäudereinigung
- Waschen und bügeln
- Nähen
- Botengänge/Besorgungen
- Zubereitung von Mahlzeiten

Der Haushalt zahlt mit den Scheinen für einen Preis von € 19,47 (indexiert ab 2005). Die Differenz wird von der Bundesregierung an die Firma bezahlt. Die Haushalte können 30 % des Preises für den Schein in der Steuererklärung geltend machen. Für diese beträgt der Preis für einen Schein für eine Arbeitsstunde € 4,34. Die belgische Regierung hofft, bis Ende 2005 25.000 Arbeitsplätze zu schaffen.

Schweden: Sichtbare und unangekündigte Kontrolle

Nach einem Bericht des schwedischen Nationalen Prüfbüros (RRV) hat die Steuerbehörde einige Änderungen in der Politik eingeführt, um nicht deklarierte Tätigkeiten in Schweden zu reduzieren. Wesentlicher Teil dieser neuen Politik war es, sichtbarere und vorher nicht angekündigte Kontrollmaßnahmen sowohl durch die Steuerbehörde als auch durch die Sozialleistungsträger durchführen zu lassen, um die Auswirkungen der Vorbeugungsmaßnahmen zu verbessern.

Die Sichtbarkeit wird teilweise durch Informationskampagnen stimuliert. Eine der Kampagnen zielte direkt auf junge Leute ab. Informationen zu den Risiken, sich nicht am sozialen Sicherungssystem zu beteiligen, wurden über kostenlose Informationen an Berufsschulen gegeben und über Medienkampagnen vermittelt. Eine im Anschluss an diese Kampagnen durchgeführte Abstimmung zeigte, dass sich in der Tat eine Änderung in der Haltung der Gruppe junger Leute vollzogen hatte.

Frankreich: Chèque Emploi Service(Gehaltsscheck)

Im Jahre 1994 wurde der Chèque Emploi Service(Gehaltsscheck)(CES) eingeführt. Hauptzweck des CES war es, das Verfahren der Beschäftigung und Bezahlung eines Arbeitnehmers im Haushalt und der Leistung der Sozialbeiträge zu vereinfachen. Mit einem CES kann jeder im Rahmen des Gesetzes eine Person im Haushalt beschäftigen, ohne die umfangreichen verwaltungstechnischen Abläufe und Arbeitsverträge berücksichtigen zu müssen, indem ihr oder sein Gehalt mit den Schecks bezahlt wird, die bei der Bank vor Ort gekauft werden können. Weitere Vorteile des CES sind beispielsweise eine Einkommensteuerreduzierung von 50 % von der für den CES bezahlten Summe.

Seit der Einführung des CES, ist die Zahl der Haushalte, die Haushaltsdienste in Anspruch nehmen, um fast 800.000 im Jahre 2002⁹ gestiegen. In diesem Sinn hat der CES die Schwarzmarktbeschäftigung dadurch erfolgreich legalisiert, dass die Dienstleistungsschecks für viele neue Nutzer attraktiv gemacht wurden.

Im Jahre 1996 wurde ein ähnliches Schema mit der Bezeichnung Titre Emploi Service Beschäftigungsurkunde)(TES) erarbeitet. Ein wesentlicher Unterschied zum CES ist der, dass die TES-Scheine nicht durch eine Bank, sondern über die Betriebsräte (?), die regionalen und lokalen Behörden sowie die Fürsorgeverbände erhältlich sind. Diese Institutionen stellen die TES an ihr Personal aus, um ihnen die Beschäftigung von Haushaltshilfen zu ermöglichen.

Deutschland: Mini-Jobs

Im Jahr 1970 wurde das Segment mit der Bezeichnung ‘geringfügige Beschäftigung’ auf dem deutschen Arbeitsmarkt eingeführt. In den 90er Jahren wurde diese als Form billiger Beschäftigungsverhältnisse immer beliebter.

Bis zum Jahr 1999 waren die geringfügigen Beschäftigungsverhältnisse bis zu einem bestimmten Einkommensniveau erlaubt, damals DM 630,-- bei einer wöchentlichen Arbeitsstundenzahl von 15. Diese Summe unterlag keinerlei Zahlung von Sozialversicherung, weder seitens der Arbeitgeber noch der Arbeitnehmer. Der Arbeitgeber hatte eine pauschale Steuersumme in Höhe von 23 % zu zahlen, der Arbeitnehmer zahlte gar keine Steuern. Diese geringfügigen Beschäftigungsverhältnisse konnten mit einem normalen Beschäftigungsverhältnis kombiniert werden und waren immer noch steuer- und sozialabgabenfrei. Dabei handelte es sich um eine recht liberale Regelung, die auf Seiten der Beschäftigten, Studenten und Rentnern kleine Arbeitsverhältnisse und den bereits über die Krankenversicherung der Familie über den Haupterbstätigen Partner abgedeckten Ehegatten ein kleines Mehreinkommen ermöglichte. Während der 90er Jahre stieg die Zahl der geringfügigen Beschäftigungsverhältnisse dramatisch an und entwickelte sich zu einem signifikanten Teil des Arbeitsmarkts. Anfang 1999 gab es mehr als 6,5 Millionen geringfügige Beschäftigungsverhältnisse, die fast 70 % aller Arbeitsverhältnisse im Gaststättengewerbe und 60 % aller Arbeitsverhältnisse im Reinigungsbereich ausmachten.

Dieses Anwachsen der geringfügigen Beschäftigungsverhältnisse stellte für die Finanzgrundlage des Sozialversicherungssystems, insbesondere der Renten und Krankenversicherung eine Bedrohung dar. Darüber hinaus befürchteten die Gewerkschaften den Verlust der regulären Beschäftigungsverhältnisse zu Gunsten der geringfügigen Beschäftigungsverhältnisse. Vor diesem Hintergrund hat im Jahre 1999 die Regierung das Schema der geringfügigen Beschäftigungsverhältnisse etwas reformiert, mit dem Ziel, ihre weitere Ausbreitung einzudämmen.

2002 hat die deutsche Regierung drei Arten der geringfügigen Beschäftigung eingeführt.

400 Euro-Beschäftigungsverhältnisse

Die Einkommensgrenze für die früheren DM 630,-- - Jobs wurde auf € 400,-- heraufgesetzt. Innerhalb dieser Einkommensgrenze unterlagen die geringfügigen Beschäftigungsverhältnisse einer reduzierten Sozialbeitragspflicht in Höhe von 23 % (12 % für das Rentenversicherungssystem und 11 % für das Krankversicherungssystem) sowie eine pauschale Steuer von 2 %. Eine wesentliche Veränderung im Rahmen dieser Reform war die Aufhebung der Arbeitszeitbegrenzung von 15

Stunden pro Woche, wodurch wahrscheinlich die Flexibilität der Arbeitgeber erhöht wird, jedoch auch ein *de facto*-Mindestgehalt.

Geringfügige Beschäftigungsverhältnisse im Haushaltsbereich

Der Grund für die Einführung der geringfügigen Beschäftigungsverhältnisse im Haushalt war insbesondere der, die Schwarzarbeit im Haushalt zu bekämpfen. Für geringfügige Beschäftigungsverhältnisse im Haushalt hat der Arbeitgeber 12 % zu bezahlen (5 % in die Rentenversicherung, 5 % in die Krankenversicherung und 2 % als Pauschalsteuersatz). Darüber hinaus kann der Arbeitgeber einen bestimmten Betrag des gezahlten Steuerbetrags in Abzug bringen (Dienstmädchenprivileg).

Beschäftigungsverhältnisse mit mittlerer Vergütung

Um den Übergang von der geringfügigen in die reguläre Beschäftigung zu erleichtern, wurde ein Übergangsbereich eingeführt, der sich zwischen einem Einkommen von € 400,01 und € 800,- bewegt. Dabei steigen die Beiträge zur Sozialversicherung für den Beschäftigten stufenweise von ca. 4 % auf den vollen Satz von 21 %.

Italien: Komitee zur Sichtbarmachung der steuerlich nicht erfassten Wirtschaftsbetriebe

Mit dem Gesetz Nr. 448/98 aus dem Jahr 1998 wurde ein nationales Komitee zur Sichtbarmachung der steuerlich nicht erfassten Wirtschaftsbetriebe eingesetzt: "*Comitato per l'emersione del lavoro non regolare*", das dem Büro des Premierministers direkt untersteht.

Die Hauptaufgabe des Komitees ist die Analyse und Koordinierung von Regulierungsinitiativen. Neben dem Zentralkomitee wurden regionale und Provinz-Komitees mit der Aufgabe eingesetzt, die lokalen Situationen zu analysieren, Vereinbarungen zu fördern und für den Abschluss von Regulierungsvereinbarungen Unterstützung zu leisten. Jedes regionale Komitee verfügt über 15 Mitglieder, von denen sieben von der öffentlichen Verwaltung und acht von den Sozialpartnern gemeinsam ernannt wurden.

Darüber hinaus wurde kürzlich ein Netz von regionalen „Fachbegleitern“ eingerichtet. Diese Fachbegleiter sind unabhängige Spezialisten mit Fachwissen in sozialwirtschaftlichen Bereichen, beispielsweise Rechtsanwälte oder Wirtschaftswissenschaftler mit exzellenter Kenntnis der Wirtschaft und der Arbeitsmarktsituation in einer Region. Das nationale Komitee bedient sich ihrer Dienste auf freiberuflicher Basis. Ihre Hauptaufgabe ist die Unterstützung bei der Entwicklung des regionalen Regulierungsprozesses, indem sie denjenigen Firmen Hilfestellung leisten, die Regelwidrigkeiten hinter sich lassen und an die Oberfläche kommen möchten. Einer dieser Fachleute beschreibt sich selbst und seine Kollegen als "Bürokraten auf Straßenniveau", da sie ihre

Aufgabe auf der Straße ausüben und keinen Ort oder Zentralbüro haben, in dem der Unternehmer sie aufsuchen kann.

7 Typ

In den meisten europäischen Ländern, ob im Westen oder Osten, ist der Anteil der Frauen an der Schwarzarbeit im Vergleich zu dem der Männer geringer. Insbesondere in den neuen Mitgliedsstaaten und in den Bewerberländern dieser Studie liegt der Anteil der Frauen mit höheren Ausbildungsniveau höher.

Frauen werden häufig in Bereichen angetroffen, in denen ein hoher Anteil an traditionellen Frauentätigkeiten angetroffen wird. Schwarz beschäftigte Frauen werden im Service-Bereich angetroffen (Personendienstleistung, Pflege), im Hotel- und Gastronomiebereich, in der Gesundheit, Bildung, in der kommerziellen Reinigung etc. In den gut bekannten Bereichen der Schwarzarbeit, wie Bau und Reparatur finden sich nur wenige Frauen. Die Arbeitsbedingungen der Frauen in der informellen Wirtschaft sind überall weniger günstig als die der Männer. Frauen arbeiten in weniger autonomen Jobs, verdienen weniger und haben die informelle Arbeitsstelle tendenziell aus einer wirtschaftlichen Notwendigkeit heraus, anders als die Männer, die zusätzliches Geld verdienen. Die Schwarzarbeit der Frauen ist von einer höheren Permanenz gekennzeichnet als die der Männer.

In einer Studie für die EG verknüpft Dr. Pfau-Effinger die Verbreitung und die Typen der Frauen-Schwarzarbeit mit den verschiedenen Typen der Wohlfahrtsstaaten. In den gleichheitsbezogenen *sozialdemokratischen Wohlfahrtsregimen* gibt es dank der staatlichen Bereitstellung für die Frauen-Schwarzarbeit (im Haushalt) weder eine Kultur noch einen Bedarf. In den *konservativen Wohlfahrtsstaaten*, wie im früheren Westdeutschland führte die Kultur und der Bedarf an Arbeitskräften im Haushalt zu einem beträchtlichen Wachstum der Schwarzarbeit im Haushaltsbereich. Schließlich waren in den *Mittelmeerländern* die kulturellen Standards völlig gegen formelle Beschäftigungsverhältnisse von Frauen und stark dahingehend geprägt, dass die Frau im Haus bleiben und ihren familiären Pflichten nachgehen sollte.

Leider gibt es im Augenblick nur wenig empirische Erkenntnis über den Anteil der Frauen an der informellen Wirtschaft.

8 Empfehlungen zur Vorgehensweise

Die Verbreitung der Schwarzarbeit hat verschiedene Gründe für ihre Verwurzelung in den einzelnen Ländern der erweiterten EU. Sie sind von Land zu Land unterschiedlich. Folglich sollten auch die in den einzelnen Ländern zum Einsatz kommenden Ansätze unterschiedliche sein.

Die Politik sollte kraftvoll sein: ständige Änderungen sollten für ein erfolgreiches Vorgehen nicht erforderlich sein. Sie sollte vielmehr ein breites Spektrum an Werkzeugen und Modellen beinhalten, die je nach Situation und Umständen eingesetzt werden können. Im Forschungsbericht der EG "Schwarzarbeit in Europa" (2001) wird eine Palette dieser Werkzeuge an politischen Möglichkeiten vorgestellt.

Ein Schlüsselement in der Vorgehensweise gegen die Schwarzarbeit sowohl in den alten als auch in den neuen Mitgliedsstaaten sollte die Stärkung des Vertrauens in die Regierung und die Regierungsinstitutionen sein. Dies muss auf der Grundlage langfristig angelegter Anstrengungen erfolgen, mit denen die Moral de Gemeinschaft und das Vertrauen in die öffentlichen Institutionen gestärkt werden. Die Veränderung der Einstellung ist ein sehr wichtiges Instrument im Kampf gegen die Schwarzarbeit, da Kontrollmaßnahmen, *inter alia* aufgrund von unzureichenden Ressourcen, das Problem niemals aus sich heraus lösen können.

Zwei wichtige Maßnahmen bei der Erreichung einer positiven Haltungsänderung sind die Durchführung von Informationskampagnen gegen die Schwarzarbeit in den einzelnen Ländern, und – in Zusammenarbeit mit der EU – für die Akzeptanz eines Ethik-Codes für die im öffentlichen Sektor Beschäftigten in den verschiedenen Ländern. Eine in einem Code niedergelegte Zusammenfassung des ethischen Verhaltens und einer Verhaltensordnung, die klar definierte und konkrete Richtlinien enthält, sollte für die Beschäftigten in der öffentlichen Verwaltung und in den staatlichen Firmen erstellt werden. Darüber hinaus ist es auch von erheblicher Bedeutung, dass die EU in enger Absprache mit den Sozialpartnern die Entwicklung eines ähnlichen Ethik-Codes für den privaten Sektor vorantreibt. Bezüglich der Informationskampagnen sollten diese den nationalen und sogar regionalen Umständen angepasst werden, mit dem Ziel, das Vertrauen der Öffentlichkeit in die Finanzierung der Fürsorgesysteme sowie in die Verpflichtung derselben zu steigern. In den neuen Ländern sollten die Kampagnen besonders auf die jüngere Bevölkerung gerichtet sein. Sie sollten die Grundpfeiler für den Wandel sein.

Die Anreize für die Umwandlung von Schwarzarbeit in offizielle Beschäftigungsverhältnisse sollten verbessert werden. Der freiwillige Wechsel der Schwarzarbeiter in gesetzlich korrekte Arbeitnehmer sollte attraktiv sein und weder ein Risiko darstellen noch Kosten verursachen. Daher sollten die Mitgliedsstaaten stimuliert werden, Formen der Formalisierung – ob allgemeiner oder zielgerichteter Natur – zu entwickeln, die es den nicht im Sinne des Gesetzes handelnden Arbeitnehmern und Arbeitgebern erlaubt, sich zu melden, gemäß dem italienischen Beispiel. Einzelpersonen und Firmen kann über einen bestimmten Zeitraum eine Art Amnestie gewährt werden, in dem ihnen die Eingliederung in die formelle Wirtschaft ohne die Gefahr von Strafen angeboten wird.

Die Verbindung zwischen Steuern und Vorteilen muss deutlich gemacht werden. Die Mitgliedsstaaten sollten diese Verbindung klarstellen, damit die Bürger – was die Leistungen betrifft – den Nutzen des als Steuern bezahlten Geldes schnell und mühelos begreifen. Ein Beispiel ist die Entwicklung eines Rentensystems, bei dem eine klare Beziehung zwischen dem verdienten Geld und des Erwerbs von Rentenansprüchen besteht, wie in den meisten westeuropäischen Ländern.

Die Beteiligung muss einfach sein. Soll eine Person beschäftigt werden, sollten die formalen Anforderungen und Abläufe für die Errichtung eines rechtlichen Beschäftigungsverhältnisses so gering wie möglich gehalten werden. Unnötige Bürokratie führt zu Entfremdung, Reduzierung der Anreize zur Beteiligung und stellt reale Hindernisse auf, deren Überwindung einige Arbeitgeber und Arbeitnehmer nicht für wert erachten. Sie werden vielmehr von einer Beteiligung an dem gemeinsamen Projekt Abstand nehmen. Das belgische Modell mit den Dienstleistungsscheinen und das deutsche Konzept der € 400,-- - Arbeitsstellen stellen diesbezüglich eine gute Praktik. Wie in dem vorher erwähnten Beispiel Italiens, kann in den Mitgliedsstaaten und in den Bewerberländern eine Organisation installiert werden, die Kleinfirmen aus ihrer informellen Wirtschaft heraushelfen. Das System der Spezialisten scheint eine gute Praktik zu sein. Die Beteiligung an der formellen Wirtschaft sollte für einen Unternehmer wirtschaftlich attraktiv sein und nicht durch bürokratische Hindernisse beeinträchtigt werden. Einfache neue Rechtsformen, wie die deutsche Ich-Firma, kann hier einen Anreiz bilden.

In den neuen Mitgliedsstaaten und Bewerberländern gibt es einen starken Zusammenhang zwischen der Größe der informellen Wirtschaft und ihrem durchschnittlichen Einkommensniveau: die allgemeine wirtschaftliche Entwicklung tritt der Informalität entgegen, während Armut und Reformschwäche diese Informalität fördern. Aus diesem Grund sollten in den diesbezüglich weniger entwickelten neuen Mitgliedsländern und Bewerberländern die Anstrengungen auf die Gestaltung des Staates, die Entwicklung demokratischer Institutionen sowie die Stabilisierung der allgemeinen sozialwirtschaftlichen Situation ausgerichtet sein. Eine auf die Schwarzarbeit ausgerichtete Politik kann später hinzukommen.

Es sind jedoch weitere Faktoren ernsthaft in Betracht zu ziehen, und zwar die kulturellen Traditionen, die in bestimmten Ländern den Anteil der Schwarzarbeit langfristig auf relativ hohem Niveau halten könnten, und zwar ungeachtet der institutionellen Regulierungen oder des wirtschaftlichen Erfolgs. In solchen Fällen wäre es irreführend, schnelle Ergebnisse von irgendeinem Politikmix zu erwarten, der auf nationaler oder internationaler Ebene eingeführt wird.

Zu den kulturellen Faktoren in den neuen Mitgliedsstaaten und Bewerberländern gehören diejenigen, die aus der vorherigen sozialistischen Vergangenheit herrühren, sowie diejenigen, die in der zurückliegenden Geschichte wurzeln. Die erstgenannten sind leichter zu meistern. Zusammen

mit den Wirtschaftsreformen und institutionellen Änderungen gehören sie eindeutig zu den temporären Auswirkungen des Übergangs. Die letztgenannten sind stabiler und schwerer zu bekämpfen (selbst wenn schließlich Vorgehensweisen zur Bekämpfung eingeführt werden).

Für die neuen Mitgliedsstaaten könnten Sondermaßnahmen notwendig sein. Von der Förderung ausländischer Investitionen, des Handels und anderer Formen der engeren Integration in die EU werden positive Auswirkungen erwartet. Dies sollte ein zweiseitiger Prozess sein: Förderung der westlichen Länder, diese durchzuführen, und Stimulierung der osteuropäischen Regierungen, diese zu ermutigen. Was dies betrifft, müssen die aus der sozialistischen Periode stammenden Empfindlichkeiten in Betracht gezogen werden (z. B. Ausbeutung durch "den Westen").

Um die verschiedenen Länder und ihre informellen Wirtschaften zu vergleichen, muss eine gemeinsame Definition innerhalb der Mitgliedsstaaten der Union angewandt werden. Darüber hinaus müssen gemeinsame Verfahren der Datensammlung erstellt werden.

Wir sind der Meinung, dass die Union den Ländern empfehlen sollte, mit Hilfe kombinierter Verfahren Daten zu sammeln, wir möchten jedoch die Bedeutung direkter Methoden unterstreichen. Das ebnet den Weg für die stabile und effektive Nutzung der Ressourcen.

Es stehen nur sehr wenig empirisch ermittelte Daten zur Stellung der Frau im Rahmen der Schwarzarbeit zur Verfügung. Aus diesem Grund ist die Formulierung von Empfehlungen zur Vorgehensweise zu diesem Thema schwierig. Auf diesem Gebiet ist eindeutig mehr Forschungsarbeit zu leisten.

1 Introduction

1.1 Context and purpose of the study

Undeclared work, in all the ambiguity of its connotations, has come to constitute a structural feature of European societies. As early as 1998, the European Commission launched a debate on the causes and consequences of undeclared work in the Member States and possible policies to counter the phenomenon. For this purpose, the Commission issued the Communication²¹ on Undeclared Work. Following the Communication, under the authority of the Commission, research was conducted into policies towards undeclared work²². The study stresses the importance of a policy mix to combat undeclared work. A good mix consists of both preventive actions and sanctions. The report was presented in February of 2002.

Following the Communication and the study-report, EC initiatives on the subject became part of a comprehensive targeted strategy. The notion of undeclared work was integrated in the European Employment Strategy (EES) since 2001. The Commission stresses the necessity of policy aiming at transforming undeclared work into regular employment.

Nevertheless, in the view of the European Commission, more attention had to be paid to the phenomenon. Hence Inregia AB and Regioplan BV were assigned to conduct a study into several specific items of undeclared work. The importance of this study was underlined by the new 2003 Employment Guidelines²³. From four pillars and fifteen guidelines, the EC moved to ten specific guidelines. The ninth guideline was directed exclusively at undeclared work. Member States are committed to: “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 benefit system, improved law enforcement and the application of sanctions. They should undertake the necessary efforts at the national and EU level to measure the extent of the problem and progress achieved at the national level”. Monitoring of policy in Member States to combat undeclared work is done in the context of the EES.

²¹ COM (98) 219 final.

²² Mateman, S. and P. Renooy (2002), Undeclared labour in Europe: Towards an integrated approach of combating undeclared labour.

²³ Council Decision of 22 July 2003 on guidelines for the employment policies of the Member States OJ L 197/13 of 5.8.2003

During the informal meeting of EU ministers of Employment and Social Affairs in Varese in July of 2003, the relevance of the guideline was stressed, and attention was given to the need to raise public awareness of the problem. Undeclared work was recognised as a problem for all Member States. During the Council meeting of October 20, 2003, Member States committed themselves through a Council Resolution stressing the need for preventive actions and sanctions aimed at eliminating undeclared work, as well as the need to measure the extent of the problem and the progress achieved in combating.

To support policy towards undeclared work, the study we present here sheds more light on several issues relevant to the matter of undeclared work.

1.2 The study: goals and questions

The *purpose* of the study was to investigate a number of specific items, viz.:

1. The statistical definition, measurement and estimates on the size of undeclared work in the EU and Member States
2. Undeclared work in the new Member States and candidate countries and the impact on the labour market
3. The gender dimension of undeclared work
4. The identification of good practice and how to improve policy to transform undeclared work to formal employment

These goals were then translated into *research questions* – four sets of questions for each item.

1. *Questions on definition, size and measurement:*

- 1.1 How can the phenomenon of undeclared work be described?
- 1.2 Which definitions can be given? And what do these definitions cover?
- 1.3 Which methods are used to measure the volume of undeclared work?
- 1.4 What are the strong points and weaker points of the various methods of measurement?
- 1.5 Which estimates are most reliable? What are the criteria used to test reliability?
- 1.6 What are the estimates for the size of undeclared work in Member States?
- 1.7 Can this information on size be translated into estimates of additional employment?
- 1.8 To what extent is undeclared work covered by standard labour force surveys and other employment surveys?

Explanation:

In the *description* of the phenomenon undeclared work the focus can be on several aspects. Some emphasize the elements of description, like labour, activities or transactions. Others focus on the different criteria to classify these elements. Criteria like “not registered by the public authorities”, or “not included into official statistics” are examples of this variation.

The answers to the first two research questions cover these items; after answering them, a choice between one or several definitions can be argued.

Just like the variety in definitions, a wide array of *methods* to measure undeclared work can be distinguished. The volume of undeclared work is measured with direct methods – like surveys – or through indirect methods – often through economic modelling. These methods are discussed in the present study, and their respective *strengths and weaknesses* are described, taking good notice of the recent OECD study on the measurement of the non-observed economy.

2. *Questions on the new Member States and candidate countries*

For the new Member States and candidate countries, the following research questions were emphasized in our study:

- 2.1 How is undeclared work described in the various new Member States and candidate countries?
- 2.2 Which are the characteristics of undeclared work in these countries?
- 2.3 Which factors explain the existence and development of undeclared work in the various countries?
- 2.4 Can we distinguish similarities in root causes, characteristics and development of undeclared work in the East European new Member States and candidate countries?
- 2.5 Which is the gender dimension of undeclared work in the various countries?
- 2.6 Which methods are used to measure the size of undeclared work in the various countries (money and labour)?
- 2.7 What are the most reliable estimates of this size (in money and in labour years)?
- 2.8 Can this information be translated into an estimate of additional employment?
- 2.9 To what extent is undeclared work covered by standard labour force surveys and other employment statistics in the various countries (e.g. measurement of the unobserved)?
- 2.10 Which policy (mix) is being developed to transform undeclared work to regular employment in the various countries?
- 2.11 Are these policies successful? What are the success factors?
- 2.12 What policy (mix) turns out to be unsuccessful, and under which circumstances?
- 2.13 What measures and policies could be highlighted as good practices?

Explanation:

The first question refers to the same conceptual items as discussed above (1.1 and 1.2). When discussing the *characteristics*, we have focused on participants, sectors of the economy, size and structure, regional differences and culture. In answering the question on *factors that explain* existence and development, many aspects were studied – not economical factors alone. We have also been looking for knowledge on how undeclared work is likely to develop in the countries of central and eastern Europe (CEE) in the near *future*, given a set of factors that influence this development (Is it stable? Will it disappear?). And, in line with these observations, we investigated which *policies* the various countries implement when it comes to undeclared work.

The *gender dimension* contains the question of the role of women in undeclared work across countries, how big their participation rate is, what they do, what their position is, etc..

3. Questions on the gender dimension

The productive work of women is also often excluded from national employment and income statistics because these activities are often unpaid or unregistered. This has resulted in serious under-estimation of the contribution of women to development and society. We have posed the following questions:

- 3.1 What is the division of labour between women and men in undeclared work?
- 3.2 What kind of activities do women do when engaged in undeclared work? In which sectors and what occupations? What are their general working conditions?
- 3.3 Does the role and position of women in undeclared work differ between countries?
- 3.4 If so, what are these differences a result of?
- 3.5 What is the economic position of women in undeclared work?
- 3.6 Does undeclared work offer women possibilities for empowerment?
- 3.7 How can the position of women be improved? Which constraints and opportunities can be distinguished?

Explanation:

The division of labour between men and women depends on the socio-economic and cultural context. One way of analysing it is to differentiate between productive and reproductive tasks.

Productive tasks refer to work undertaken by either men or women of a household to produce goods and services for marketing, as well as for the processing of primary products. Such productive tasks can be based at the workplace or at home, and can be formally or informally organized. Whether or not these tasks can be labelled undeclared work depends on the angle from which the topic is

studied or on statistical conventions on the matter. More or less the same goes for reproductive tasks.

Reproductive tasks refer to child-bearing and the different activities carried out in caring for household members and the community, such as food preparation, child care, education and health care. These activities are usually unpaid and excluded from national employment and income statistics because they are viewed as activities with non-measurable economic value.

In our study we focus on productive tasks; however certain reproductive tasks are also included, since several of them are recently transformed into "work", like childcare. In studying the gender question, we differentiate between:

- Quality of the work
- Earnings
- Ownership, access and control over resources and services (credit, technology, training)
- Working conditions
- Location

4. Questions on good practices

- 4.1 Which successful policies (mixes) are developed to transform undeclared work to regular employment in different countries?
- 4.2 Which successful policies (mixes) are developed to strengthen the position of women in undeclared work?
- 4.3 Which successful policies (mixes) are developed to combat undeclared work in general?
- 4.4 To what extent can these policies be applied in other contexts (other countries, other regions)? What are the preconditions?

Explanation:

The three major themes of the study are also reflected in these questions: the general policy towards undeclared work; attempts to transform undeclared work into formal labour; and the aim to improve the position of women in the (in)formal economy. We sought good practices in the EU15 Member States, for they were expected to have implemented policy on undeclared work since several years now. In practice, however, not all questions could be answered due to lack of policy on the issue.

1.3 Research methods

In this section, we discuss the approach used to answer the research questions. The main lines of our approach were:

- Desk research
- Questionnaires on size and methods
- Country studies done by national experts
- Drawing up preliminary conclusions
- Seminar
- Analysis and draft report
- Feedback from the EC
- Final Report

Desk research

The desk research focused on relevant literature regarding undeclared work and the informal economy. This literature offered us insight in the issues on definition, size and methods of measurement (first research question). To this end, an extensive literature scan was done. An overview of the literature used can be found in the appendices.

The desk research was used for:

- An overview of definitions used
- An assessment of these definitions
- An overview of methods to measure the volume of undeclared work
- An assessment of these methods
- A first overview of estimates of the size of undeclared work in the Member States
- An insight in the gender questions
- Insight in good practices
- Policy issues

Questionnaire on size and methods

In order to gather reliable and comparable information on the size and structure of undeclared work, we issued a questionnaire to the National Statistical Offices (NSO) of the Member States, asking them to provide us with their most recent estimates of the incidence of undeclared work in their countries. The questionnaire also raised the issue of transforming undeclared work into additional formal labour.

Unfortunately, we received few answers from the NSOs. A second round of questions addressed to the officials engaged in Labour Market Surveys also yielded no response.

This meant that for the purpose of gaining knowledge on the extent of undeclared work, we had to turn to other sources of information. We found this in the empirical study by Pedersen (2003). In chapter 4, we elaborate this issue.

Country studies

In order to find answers to the questions concerning undeclared work in the new Member States, we set up a network of experts in the central and eastern European countries concerned. Each of them wrote a country study, following a line of questioning we provided. The questions correspond with those under heading 2) above. These experts (for a listing, see appendix) provided us with the most recent and relevant material concerning undeclared work in their respective countries.

Following the country studies and the major part of the desk research, an intermediate report was drawn up. This report served as input for discussion in a seminar with all the national experts and a selected group of international experts.

Seminar

At the seminar, particular emphasis was put on:

- Threats and opportunities of undeclared work for the new Member States
- The question of measurement and registration (in statistics)
- Gender
- Best practices/good policies in East and West
- Methods of assessing undeclared work

Analysis and draft report

Based on the activities described above, a first draft of the report was written. The report provided answers to the questions posed and gave initial recommendations. The draft was discussed at a seminar with experts, policy makers, social partners and EU representatives²⁴, during which the general results of the report were presented. A major aim of the seminar was to identify which policies can be deployed under which circumstances (different economies, different cultures).

1.4 Structure of the report

The structure of the present report corresponds to the main questions of the study. Chapter 2 contains a conceptual discussion on the description of undeclared work and the informal economy. The methods of measuring are the subject of chapter 3. In chapter 4, we present the findings from the EU15 countries, including figures on the volume of undeclared work. Chapter 5 turns to the situation in the new Member States and candidate countries. It contains a descriptive part as well as a consolidating and analysing part.

In chapter 6, we describe policies in several countries that could be characterised as good practices. Gender is the subject of chapter 7. Finally, concluding recommendations are drawn up in chapter 8.

²⁴ For a full participants list, see appendix.

In the appendices, among other things, information can be found on the questionnaires used and on the expert network in central and Eastern Europe.

2 Definitions

2.1 The informal economy: background

The discussion on undeclared work is very much connected to the debate on the informal economy as a part of the economy that is hidden from the relevant authorities. The concept of the informal economy originally derives from the literature on problems of developing countries. Researchers in various disciplines determined that large groups of the population in those countries were not absorbed in the modern economy. In 1963 the economist Clifford Geertz introduced two terms for this phenomenon: the firm-centred economy and the bazaar economy. The firm-centred economy was characterized by an efficient conduct of business, high productivity and the use of substantial quantities of capital and technology. In contrast, the bazaar economy was characterized by low productivity, high labour but low capital intensity, low incomes and a high capacity for absorption (involution). Furthermore, specific for this part of the economy was that it was not officially registered by the authorities (e.g. tax authorities, Chamber of Commerce).

Elaborating on this dualistic model, Hart (1973) introduced the terms formal and informal in his study on the employment structure in Accra, Ghana. With the ILO report on the Kenyan economy and a series of World Bank studies in the seventies, the terms took root in the debate on economic development.

Although in this way the informal economy became a common sense notion, strict definitions were never agreed upon. The Dutch Board of Advice (on development questions) therefore qualified the term as “a notifying concept” (1989).

The term kept its notifying function when researchers and politicians discovered that economic activities took place outside the scope and control of public authorities in the developed countries of Western Europe and the United States as well. In the last 25 years, there has been a wide array of studies approaching the informal economy from different angles. Much attention has been given to attempts to measure the informal economy in terms of money or labour. Economists like Gutman (1977), Feige (1979) and Tanzi (1980, 1982) developed more or less simple macro economic models to ascertain the size of the informal economy (see chapter 3).

Other studies have concentrated more on the nature of the informal economy, on causes and consequences and the place of the informal economy – and undeclared work in particular – in the economic structure. Authors like Pahl and Gershuny in the late seventies and early eighties in the UK, Del Boca and Contini in Italy in the same period, Van Eck and Kazemier and Renooy in the

eighties in the Netherlands and the National Audit Board in Sweden in the 1990s are examples of this approach.

In recent years, from the point of view of national accounts, much attention has been given to an accounting system that achieves “exhaustiveness”. With this concept, one means that all productive activities, including those in the informal economy, are represented in the national accounts.

2.2 The national accounts²⁵

For good policymaking and for a fair and just comparison of national accounts, the quality and harmonisation of these accounts are of great importance. There should be consensus on what to include into the national accounts and which definitions should be used. In 1993 the world agreed on such a set of definitions underlying the national accounts: the 1993 System of national accounts (SNA '93).

SNA '93 states that all productive activities should be included in the national accounts, irrespective of being recorded or not. However, not all activities contribute to national income. Some activities fall outside the so-called production boundary; other activities, which are assumed to take place but are not registered, are imputed through the SNA '93. The SNA'93 production boundary can be summarised as follows (SNA'93, par. 6.18):

- *The production of all individual or collective goods or services that are supplied to units other than their producers, or intended to be so supplied, including the production of goods and services used up in the process of producing such goods and services.*
- *The own-account production of all goods that are retained by their producers for their own final consumption or gross capital formation.*
- *The own-account production of housing services by owner-occupiers and of domestic and personal services produced by employing paid domestic staff.*

Non-productive activities do not contribute to national income. This also means that non-observed non-productive activities (for example social benefit fraud) do not affect the quality of national accounts.

2.2.1 The non-observed economy (NOE)

Not all activities within the production boundary are always observed by the accountants that draw up the national accounts. Five so called NOE problem areas can be identified. They consist of activities that are not observed because they are either underground, in the informal sector,

²⁵ For this part we make use of Kazemier's paper to our seminar in Malmö, Nov. 2003 (Kazemier 2003) and the OECD Handbook for measuring the NOE (2002)

undertaken by households for their own final use, illegal or missed because of deficiencies in the basic data collection programme.

In the framework of this study, the first three categories are most important. They can be described as follows:

Underground production includes all legal production activities that are deliberately concealed from public authorities for the following reasons:

- To avoid payment of income, value added or other taxes
- To avoid payment of social security contributions
- To avoid having to meet certain legal standards such as minimum wages, maximum hours, safety or health standards, etc.
- To avoid complying with certain administrative procedures, such as completing statistical questionnaires or other administrative forms

Informal sector production includes productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specific size in terms of employment, and that have some market production.

Production by households for own final use consists of those productive activities that result in goods and services consumed or capitalised by the households that produce them.

It is obvious that the definition of the informal sector comes from a different angle than the other categories, viz. the Fifth International Conference of Labour Statisticians of 1993. Since the description is based on different criteria, this category overlaps significantly with all the others.

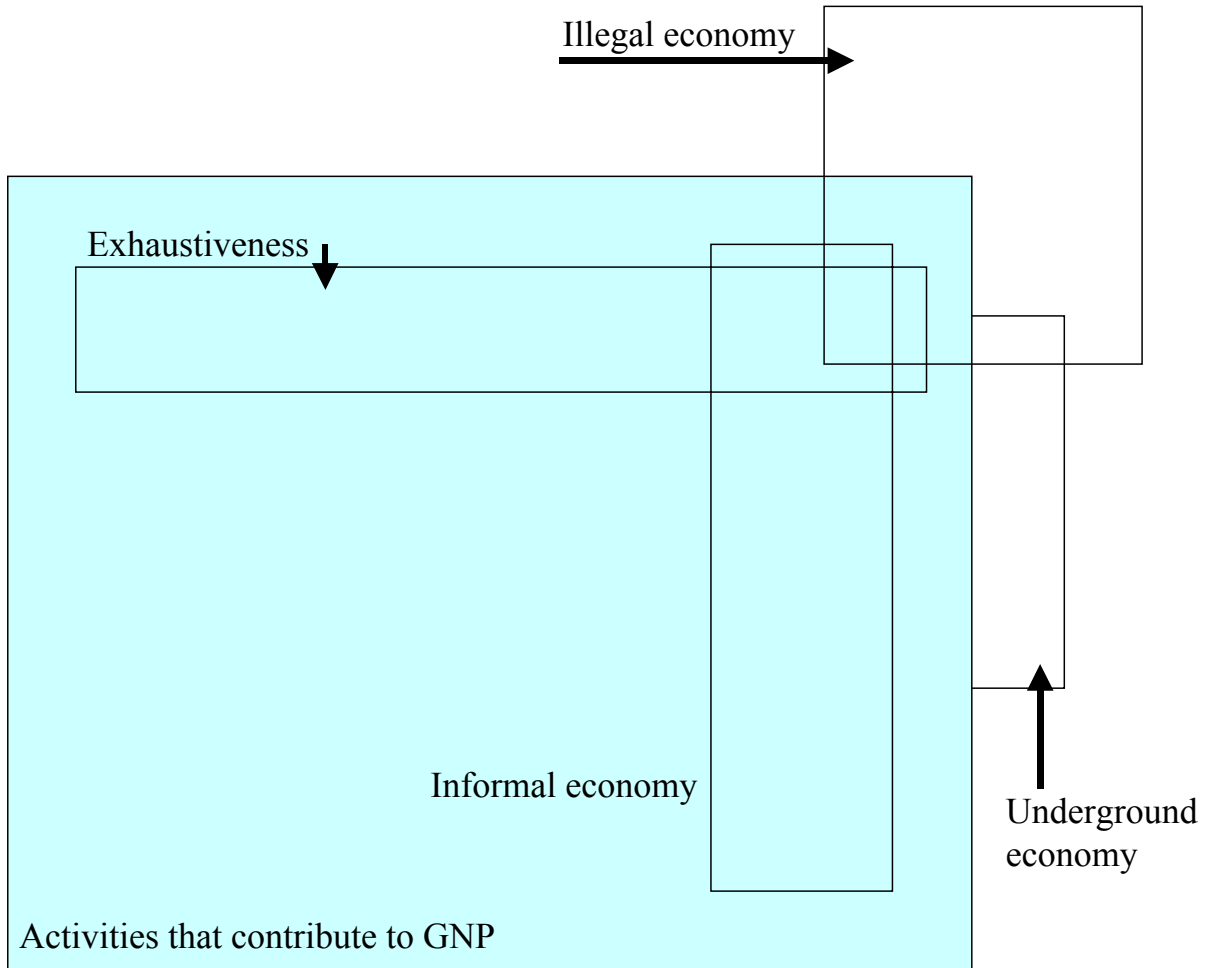
2.2.2 Exhaustiveness

In order to minimize the effect of non-observed parts of the economy and to harmonise possible variations between countries, Eurostat introduced the term exhaustiveness. Under this heading, a lot of effort was put into the inclusion of underground activities, tips, income in kind and white spots in observation. Statistical offices throughout Europe were obliged to do exhaustiveness exercises, which in many cases led to significant revisions of the national accounts.

These revisions of the national accounts meant that the non-observed economy was included. But, as stated above, parts of the non-observed economy are entirely formal, yet not observed due to deficiencies in data collection, or don't have to be reported to tax or other authorities for legal reasons (e.g. too small in scale). So although there is an overlap, not all the underground economy "belongs to" the activities under exhaustiveness, whereas not all activities to be taken in for

exhaustiveness are part of the underground economy. Kazemier (2003) provided the following figure on the relationship between the different categories.

Figure 2.1 The relationship between the underground economy, the illegal economy, the informal economy and exhaustiveness



It is clear that the categories cover partly the same sphere of the economy, partly others. Which definition is most appropriate depends on the perspective one chooses. From a criminal law perspective, illegal production fits best; from a tax perspective, the underground production description suits best; national accountants are best served by the use of the exhaustiveness definition. For the present study, the choice is very clearly the labour market perspective – labour is our focus.

2.3 Defining undeclared work

Taking labour as our starting point, we define undeclared work as:

“productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States.”

This is close to the definition used by the European Commission in earlier publications, overlaps considerably with the OECD terms underground production and production of households and corresponds well with the definition we have presented in other studies (Renooy 1990). The definition differs from earlier EU publications in that it takes its starting point in “productive activities” rather than in “paid activities”. In doing so, we can include several unpaid but productive activities²⁶. We also comply with the SNA’93 rules on activities within the production boundary. Moreover, from the perspective of transforming undeclared work into regular, formal labour, there is no reason to exclude unpaid productive activities.

In everyday life, many types of undeclared work can be distinguished. We therefore prefer to make a further division, which can be relevant in the analysis of the structure of undeclared labour in the various countries and the policy these countries should adopt to counter undeclared work, viz.:

- *Linked undeclared activities*, consisting of undeclared activities that take place within a formal framework (e.g. working of the books in regular firms).
- *Semi-autonomous undeclared activities*, which comprises undeclared production of goods and services for formal entities like enterprises or even public authorities.
- *Autonomous undeclared activities*, which is the production of final goods and services directly for the consumer. One could think of the odd jobber, housecleaning, baby-sitting and so on.
- *Domestic and communal sector*, consisting of do-it-yourself activities, self service, agriculture for own use, barter and unpaid, reciprocal work.

2.4 Summary

In recent years, a wide array of colourful names has been used to describe the phenomenon at the heart of this study. A few examples are: informal, hidden economy, cash economy, moonlight, twilight, dual, subterranean, parallel, underground, second, unofficial, and shadow economy.

²⁶ In drawing attention to the relevance of unpaid work (carried out by women), we follow the OECD Handbook of measurement of the NOE (chapter 11)

Similar names are found in other languages. Unfortunately, nearly as many varying descriptions of the phenomenon can be found in the literature. Many of them differ in the elements of description (work, activities, paid labour etc.) or in the distinguishing criteria used, which can emphasize legal, statistical, or sometimes fiscal aspects. In this study, we focus on labour as our main element, and use registration according to national requirements as the criterion for what is to be understood as undeclared work. The definition is:

“productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States.”

This definition coincides to a considerable degree with that of “underground production” and “production of households for own final use” as given in the OECD terminology for the non-observed economy.

This definition is also the starting point of our analysis. Reality, however, is more complicated. During the analysis, we were forced to use the wide variety of different approaches to the question of undeclared work that was in use in the various countries. These approaches were hardly ever similar, but rather tended to differ on several details.

3 Methods of measuring

Having discussed the definition of undeclared work, we now turn our attention to the methods used to measure the phenomenon. We can distinguish several methods to measure the extent of undeclared work. They can be grouped into direct methods, indirect methods and (other) modelling.

Most of the methods designed to measure the size of undeclared work focus on expressing it as a percentage of GDP. Fewer methods aim at getting estimates on the size in terms of volume of labour (e.g. in fte's). This is due to the fact that methodological problems prevent measuring informal fte's, whereas measuring earnings faces fewer methodological obstacles.

3.1 Direct methods

The method most suitable for gaining information on unknown, partly hidden phenomena in society is a combination of observation and in-depth interviews with key observers and participants. In the case of research into undeclared work, this method was used in the UK by Pahl and Wallace (1985), in the Netherlands by Renooy (1984) and in Sweden by the National Audit Office (1997). Using these techniques, it is possible to explore the characteristics of undeclared work, the motives of participants, the type of work, possible relations between sectors and so on. What is not possible through interviews and observation is to gain a statistically representative picture of different aspects of the matter.

One means of obtaining representative information on various aspects of undeclared work is to undertake large-scale representative surveys. Through face-to-face interviews, telephone or postal questionnaires, information is gathered directly from economic agents, e.g. households or enterprises. Research of this nature has been sparse. The most important reason for this, technical and organisational problems aside, appears to be the fear of obtaining incorrect answers: the importance that should be attached to the results of such research depends to a large extent on the nature of the study, in which the method of questioning and the degree of anonymity play particularly important roles. Viby Mogensen (1995) quotes Bateston, who states that the degree of errors in surveys depends on:

- How well the respondent understands the question
- The degree to which he/she is in the position to give the information requested
- The degree to which he/she is willing to answer in accordance with the truth

One of the techniques to overcome the problem of respondents lying about their undeclared work is the so-called randomised response method. With this technique, it is impossible for the interviewer to know whether any given interviewee is lying or telling the truth at the moment of questioning,

but through calculation of probabilities a figure on black labour, for example, can be computed. In the Netherlands, the technique has been used several times, for instance in research into social benefit fraud and fraud with housing subsidies (Van Gils 2001).

Hanousek and Palda, who used these questionnaires to learn about tax evasion in the Czech and Slovak Republic (2003), state that the survey data indeed suffer from the lies respondents tell. However, using well thought-out interviewing techniques, the influence of the lies was minimised.

Quite extensive direct surveys have recently been carried out by the Danish Rockwool Foundation Research unit. The results of these surveys can be found in Pedersen (2003). In his research, Pedersen makes use of very highly qualified and carefully instructed interviewers. He also sends out introduction letters to potential respondents. The issue of undeclared work is not given a central role in these letters, in order to avoid scaring people off. Pedersen admits that especially on the question of the extent of undeclared work, questionnaires will lead to an underestimation. In that sense it must be seen as a minimum estimate. When using other methods, in particular the often-used monetary ones, it is never clear whether the outcome is too high or too low.

The research performed by Rockwool is of particularly great value because it offers a possibility for international comparison. In comparing, however, one should always keep in mind that differences in culture, for instance between northern and southern Europe, may yield different reactions to questionnaires, particularly on issues like undeclared work. It may well be that the very root causes of a hidden economy, like lack of trust in the authorities, spawn unreliable answers to the questionnaire.

In the Rockwool survey in Sweden, quantitative results were combined with the results of a more qualitative empirical approach. In this “structure” part of the Swedish study, researchers conducted intensive field studies in selected locations. They lived there for quite some time, interviewing people, observing the local economy and, wherever possible, participating in it. Using this technique, much information on the logics and mechanisms of undeclared work was gathered (NAO, 1997/8).

Some direct approaches have been attempted in the new Member States as well. In Lithuania, the Lithuanian Free Market Institute (LFMI) conducted a survey of nearly 3,000 households in 2002, estimating 37 % of all household income to derive from undeclared work! And in Bulgaria, Vitosha Research recently carried out surveys among households (around 1,000) as well as companies (500), with the purpose of creating an index system for monitoring the size and dynamics of undeclared work. Household expenditure surveys are also used to get an indication of the statistical non-observed economy (which is not the same as the undeclared economy!). The above-mentioned

Hanousek and Palda carried out face-to-face interviews on a random stratified sample of 1,062 Czechs and 524 Slovaks.

Direct methods, provided that they are carried out in a comprehensive way, are probably the best way to gather valid and reliable information on several aspects of undeclared work. In their extensive study on research methods into the "black sector", Van Eck and Kazemier (1989) also came to this conclusion. Direct methods, however, are rather costly and time-consuming. That is one of the reasons direct methods are often confined to studies of one sector or branch of industry.

3.2 Indirect methods

Indirect methods are more commonly used to estimate the size of undeclared work. The essence of these methods is that they interpret observable phenomena as signs of the invisible part of the economy.²⁷ We can distinguish five groups within this type of methods:

- Discrepancy methods
- Degree of participation method
- Electricity consumption methods
- Monetary methods
- Modelling

3.2.1 Discrepancy methods

Discrepancy methods emphasise the observation of differentials between certain economic quantities. A common application involves measurement of differences between observed spending and national income as calculated in the national accounts. The basic assumption is that income does not always appear in the statistics or, when it does, is undervalued, whereas spending expenditure resulting from income will for a greater part be registered. In this way, an impression of undeclared work – or to be more precise, of “black money” – may be obtained. One means of correctly estimating expenditures is the household expenditure survey mentioned earlier.

Another very often used method focusing on discrepancies is the one confronting the findings of labour force surveys (LFS) with the results of research on the “demand side”, for example statements on employment by employers (the labour input, or labour accounts, method). The assumption is that when the volume of labour according to the supply side information exceeds the volume of labour measured in enterprises, one can speak of the existence of an informal economy. The data from the LFS are supposed to be more exhaustive than the demand side data.

²⁷ Pedersen (2003) quotes a researcher who compares these methods with counting molehills. One can also think of the tale of the blind Indians who each touched parts of an elephant and all came to different conclusions of what they were touching (a snake, a wall etc.)

This method is used in many countries, for instance in Portugal and the Slovak Republic, and is recommended by Eurostat to ensure exhaustiveness of national accounts in the new Member States and acceding countries. The method seems rather clear and logical, but there are many pitfalls in using it in practice. In the comparison between the two quantities, deviations from reality can occur. The figures are built using different sources of information, which can each differ in the definitions and classifications used and the periods of measurement and, as a result of measurement uncertainties (confidence intervals), can deviate more or less from reality (statistical variance). All these possibilities for deviation make the method vulnerable. Eurostat concluded that “Because of these methodological problems, a comparison of the labour force survey results with administrative sources or register data on an aggregate level does not yield an estimate of undeclared work”²⁸.

In Italy, ISTAT is optimising this technique (Baldassarini & Pascarella 2003). Much effort is put into harmonising and integrating the various sources to obtain an exhaustive estimate of the number of jobs (the demand side), and of the supply side by adjusting figures for categories of workers that are not observed by the LFS, like illegal foreigners or those that perform multiple jobs. Baldassarini and Pascarella call this operation of harmonising, reclassifying, adjusting and correcting “very delicate” (p.9). Because of the particular design of the Italian labour force survey, this method cannot easily be generalised to other countries.

A comparable way of applying the discrepancy method is by looking at the difference between national income on the basis of income from taxation and on the basis of calculations of the national accounts. Here, too, the impact of potential calculation errors on the final results is not clear, which makes the method less reliable.

Finally we mention a discrepancy method that has been applied in a different way. In order to get some idea of undeclared construction activities in one Italian region, a comparison between registered construction of new homes and the registered number of new electricity connections was made for the period ranging from 1971 to 1979. The results show that the amount of new connections that had been made was twice the amount of new homes registered (3.1 million c.f. 1.5 million). This method, described by Del Boca and Forte (1982, p.192), is an interesting attempt to trace informal construction activities and the formation of capital. Unfortunately, it yields no integral picture of undeclared work.

3.2.2 Degree of participation method

The degree of participation method is based on the assumption that in a situation where participation in formal work is limited, there will be a shift of labour into undeclared work. In order to obtain a “clear” and internationally comparable measure, one should look exclusively at the

²⁸ Eurostat (2003), Note to the informal council of ministers of Employment and Social Affairs on Undeclared Work.

participation of males between 15 and 64 years of age. The participation of women in formal work is too dependent on specific circumstances such as, for example, the state of emancipation. Obviously, when a large share of the labour force is not participating in the formal economy there will be a substantial potential supply of labour for undeclared work. Many researchers, however, (Renooy 1990, Van Eck and Kazemier 1989) show that people that are conducting undeclared work generally have a legitimate job as well. Often earnings of the regular job itself are partly undeclared. Moreover, it is important to take into account what part of the male population is not participating. For example, the early retired military and policemen in Slovenia (see chapter 5) are more likely to have saleable skills on the market for undeclared work than the low skilled unemployed.

3.2.3 Electricity consumption methods

The basic assumption underlying this method is that real GDP, measured as the observed and unobserved parts of the economy put together, grows at the same pace as electricity consumption. The method uses a base year, in which the size of the informal economy is stated (measured). Again, various assumptions make the method vulnerable.

Figure 3.1 Informal economy estimated by two electricity methods

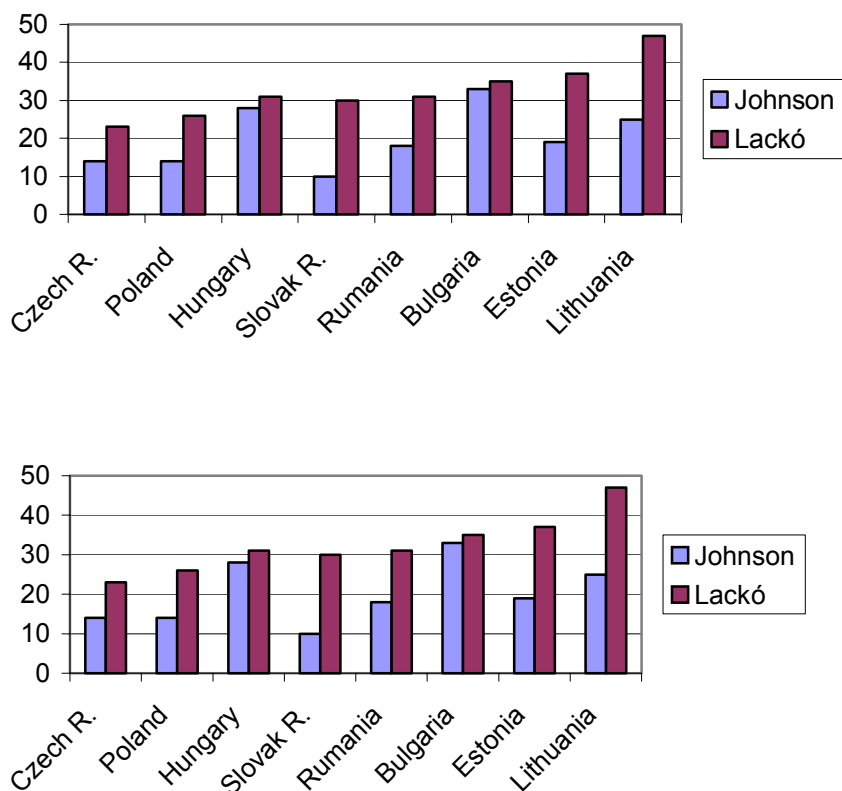


Figure 3.1 shows undeclared work as a percentage of GDP according to two electricity consumption methods, one by Johnson, Kaufman and Zoido-Labatón, the other by Lackó (in Schneider and Enste 2000) for the years 1994/5. The differences are enormous and illustrate the dubious character of these exercises

3.2.4 Monetary methods

The simplest of these methods is based on the assumption that transactions in the informal economy take place in cash. As the incidence of undeclared work grows, this will express itself in an increase in the use of (high value) banknotes. Macafee (1980), among others, applied this approach to Great Britain and compared the number of banknotes and coins with total money supply, as well as with GDP, for the period 1963-1978. More recently, Berglez (2000) used this method in Slovenia to get an indication of the volume of undeclared work. This exercise resulted in an estimated size of around 20 % of GDP in the year 2000.

The two methods that are most frequently used are Gutmann's currency - demand deposit²⁹ ratio method (Gutmann 1977) and Feige's transaction approach. Gutmann's approach, in particular, has been modified several times, for example by Tanzi (1982). The basic idea behind these methods is, as stated, that transactions in the informal economy, especially the black sector, are made in cash. Consequently, growth of the black sector will be accompanied by an increase of currency in circulation. Gutmann, accordingly, calculated the extent of the black sector by looking at the currency - demand deposit ratio. He based his study on the period from 1937 to 1941, when the black sector was assumed to be limited. Every change in the situation during subsequent years was regarded as reflecting a change in the extent of the black sector. Whereas Gutmann's starting point is the amount of cash payments, Feige (1979) based his analysis on the volume of transactions. He considered the relationship between the total value of these transactions and the national income, taking 1939 (a year with a limited or no black sector) as his base. If the volume of transactions rises in relation to registered national income, this supposedly indicates growth of the black sector.

Schneider has in recent years made many calculations using the currency demand approach (Schneider 2000, Schneider and Enste 2000). Pedersen (2003) sums up the main problems with this approach:

- Not all transactions in the informal economy are paid in cash. Pedersen found that in Denmark, only 44 % of these transactions were made in cash, and in Great Britain, the figure was 45 %.
- The assumption of the absence of an informal economy in a certain year (the starting point of the analysis) is disputable.
- The assumption that the extent of undeclared work is influenced only by the level of taxation is questionable.
- Changes in the currency-demand deposit ratio are more due to a slowdown in demand deposits than to an increase in currency caused by informal activities.

²⁹ Demand deposit is all directly transferable money on bank and giro accounts

Just to illustrate the fact that the relation between tax rates and the incidence of undeclared work is not as clear as assumed, Pedersen presents a table on this relationship in Denmark:

Table 3.1 Average and actual marginal taxes (%) according to whether the respondents have carried out black activities or not in Denmark 2001

	All occupational groups				Skilled workers	
	Men		Women		Men and women	
	Carried out black activities	No black activities	Carried out black activities	No black activities	Carried out black activities	No black activities
Average tax	36.4	37.6	30.3	33.5	37.0	37.9
Marginal tax	51.4	52.9	46.9	47.5	50.7	51.1

Source: Pedersen, 2003

It is clear that no relation whatsoever can be detected.

Blades and Roberts (2002) also point out that the high figures produced by monetary methods cannot be taken very seriously. They argue that undeclared work is confined to a relatively small number of “susceptible” sectors like home repairs, retail, taxis, and so on. When Schneider and Enste, for instance, in their IMF working paper (2000) present a figure of 22 % of GDP as the size of the Italian informal economy in 2000, this implies that the share of undeclared work in susceptible sectors must approach an incredible 70 % or so.

The OECD Handbook on the non observed economy (2002) on the subject of these methods states that “monetary macro models are unsuitable for estimating the underground economy, primarily because they are based on modelling assumptions that cannot be justified”.

3.2.5 Modelling

The last types of measuring method to be mentioned are the different types of modelling. These techniques were first used by Frey and Weck-Hanneman (1984). Their method is based on the idea that undeclared work is an unobserved (or latent) variable. Still, on the one hand it is influenced by certain causes (determinants) and on the other hand it influences other variables, which must be observed as indicators for the existence and growth of undeclared work itself. As determinants, Frey and Weck-Hanneman use real and perceived tax burden, the burden of regulation, tax immorality, the rate of unemployment, and per capita disposable income. As indicators, they use the male participation rate, hours worked and growth of real GNP. Once the determinants and the indicators are established, the relative extent and the development of undeclared work can be calculated, with the aid of econometric modelling. Giles (in Schneider 2002) optimised this kind of multiple causes-multiple indicators models in his DYMIMIC (dynamic multiple indicators and multiple causes) model.

The validity of this kind of models very much depends on the extent to which the chosen causes and indicators reflect what they are assumed to reflect. For instance, to what extent do the causes often chosen – like the burden of taxation, the burden of regulation and tax morality – really determine the existence and development of undeclared work? The figures by Pedersen show that the assumed relation between tax rates and extent of undeclared work is questionable.

3.3 Towards a methodology for research into undeclared work

Having discussed the different methods used for assessing undeclared work, we now turn to the question of which methods to use in order to get a clear and valid picture of the size and structure of this part of our economies. Referring to the great diversity within undeclared work, one should be cautious in doing so. It is precisely this diversity that makes undeclared work unsuitable for uni-dimensional methods of research. We have argued above that the indirect methods in particular fail to encompass all relevant variables concerning the size and structure of undeclared work. These methods either are "too simple" to reflect reality, like the monetary methods, or try to include so many variables and sources of information that it leads to a high degree of uncertainty and unreliability of the results. Moreover, most of the indirect methods lack information on structural aspects of undeclared work, information which is absolutely necessary for formulating a policy to transform undeclared work into regular labour. Exactly that kind of information can be gained through more direct methods, like interviews and questionnaires.

During the seminar in Malmö, Sweden³⁰, that was part of this project, the methodology question was discussed with measurement experts from, among others, Eurostat, Dutch Statistics, the Swedish Tax Authority, Slovak Statistics, the Research Institute for Labour and Social Affairs (Czech Republic) and the Rockwool Foundation (Denmark). The group agreed on a research design consisting of the following steps:

1. Observations and interviews

First of all, one should get an idea of what is happening in a society, be it local or regional. Using techniques like observation and in-depth interviews with participants and with key observers, insight can be gained into the structure of the undeclared work; who is doing what, to what extent, what mechanisms are at work and so on. This method permits insight into the cultural factor, a factor that seems to be of great importance for the emergence of an informal economy. This kind of research also serves as a starting point for the second step.

³⁰ The conference was held on November 21st and 22nd 2003.

2. *Survey*

The Malmö group decided that direct research methods are preferable, in particular the straightforward survey under the supply side of undeclared work. Through face-to-face interviews or telephone or postal questionnaires, information can be gathered directly from economic agents, for example households. In the survey, questions can be posed with regard to earnings as well as to time spent in undeclared work. This way, it is also possible to get a reliable picture of the labour volume in informal activities. In using this approach, one should be well aware of certain conditions. Questionnaires should be adapted to the local or national context and be constructed in such a way that people not get suspicious, interviews should be conducted face to face rather than by telephone or mail, anonymity should be guaranteed, interviewers must be well instructed, and if necessary techniques like the randomised response should be used.

As previously mentioned, research of this nature has not been done very often. The Danish researcher Søren Pedersen has recently shown that, despite many problems, one can obtain reliable and valid results through surveys. He also succeeded in gathering comparable information in four different countries, viz. Denmark, Sweden, the United Kingdom and Germany.

3. *Demand surveys*

The above-mentioned surveys are intended to focus on the supply side; the people offering their undeclared work to economic agents demanding undeclared work. On the demand side, one finds households, but also enterprises. This makes a questionnaire on the demand side problematic. Moreover, the consumer does not always know whether a service is rendered through declared or undeclared work. When ordering a beer in a bar, for instance, one never knows whether the barman is on or off the books.

Nevertheless, asking the demand side, possibly in specific sectors, is a potential means of validating the information gained through the methods mentioned above.

4. *Indirect methods*

The group in Malmö was a bit more sceptical towards indirect methods for measuring undeclared work – especially when labour is the focus. The labour input (or labour accounts) method can nevertheless be useful for specific purposes, like adjusting national accounts. In this method, figures concerning the demand side of the labour market, collected at enterprises, are confronted with figures of the supply side, e.g. collected through labour force surveys.

The method is often used, and is recommended by Eurostat to new Member States to help them achieve exhaustiveness. However, Eurostat explicitly states that because labour force surveys and

national accounts do not distinguish undeclared work or underground economy from declared work, it does not have the means to provide estimates of the size of undeclared work in Europe³¹.

3.4 Summary

Assessing the size and structure of undeclared work needs great accuracy. By its very nature – the fact that it is not observed or registered – it is very hard to obtain reliable estimates of it. Very often, indirect methods are used, in particular monetary methods. In these methods, for instance the development of the ratio between cash and demand deposits is taken as an indicator for the existence and development of undeclared work. Experts of the OECD, in compiling their handbook on measuring the non-observed economy, concluded that this kind of methods is of very limited use.

Another method that has recently been used in various countries is the labour accounts method. In this method, information on the supply side of the labour market, gathered partly through labour force surveys, is compared with information of the demand side, e.g. gained through surveys in enterprises. Eurostat considers this method useful in achieving exhaustiveness of national accounts, but it has many pitfalls when assessing the volume of undeclared work in terms of labour units.

During the seminar on undeclared work held in the course of this study, experts agreed on direct methods being preferable for the study of undeclared work. With direct methods, what is referred to in particular is observation, interviews and surveys of the supply side. Not much research of this nature has been done. The most important reason for this appeared to be the fear of obtaining incorrect answers: the importance that should be attached to the results of such research depends to a large extent on the nature of the study, in which the method of questioning and the degree of anonymity play particularly important roles. Recently, promising results were obtained in internationally comparable direct surveys.

³¹ Eurostat (2003), Note to the informal council of ministers of Employment and Social Affairs on Undeclared Work.

4 Undeclared work in the EU15: size, measurement and policy

4.1 Introduction

In the previous chapter, we discussed methods for measuring the volume of the undeclared work. Among other things, we concluded that direct methods are the most reliable. Indirect methods like discrepancy methods and the different monetary methods proved to be unreliable. We shall therefore refrain from citing results obtained using these methods in the present chapter.

We will present figures on the size of undeclared work in the various countries to the extent that we were able to collect these. It turned out that very little information was available. As a matter of fact, the National Statistical Office of one of the Member States replied to our request for information, referring to the nature of the informal economy: “since it is hidden, we cannot measure it”! Given the high standards Statistical Offices use when striving to present valid and reliable data, one can understand the reservations of the Offices in presenting figures on undeclared work.

Besides presenting the information on size, we will discuss the methods used in the various countries. Next, we will briefly go into the factors that bring about undeclared work in the EU15 and then outline the policies that the various countries have developed in reaction to employment guideline no. 9 2003³².

4.2 Size, method and definition

In Table 4.1, we present the most recent figures on the extent of undeclared work in the EU15 (as far as available).

³² Council Decision of 22 July 2003 on guidelines for the employment policies of the Member States (2003/578/EC)

Table 4.1 Undeclared work: estimated sizes (% GDP)

Country	Estimated size	Year	Sources / measurement methods
Austria	1,5 % of GDP	1995	Statistics Austria, national accounts, ESA95; Combining data sources/surveys
Belgium	3-4 % of GDP	1995, confirmed in investigations in 1997 and 1999	National Bank of Belgium, national accounts, ESA95; Combining and comparison of data sources
Denmark	5,5 % of GDP	2001	Rockwool Foundation, study no. 10 ³³ ; questionnaire survey;
Finland	4,2 % of GDP	1992	Finnish Ministry of Finance; Combining and comparison of data sources and corrected according to experts assessments
France	4 – 6,5 % of GDP	1998	Rockwool Foundation, study no. 5 ³⁴ questionnaire survey; statistical corrections, 4 % of GDP, INSEE 1999
Germany	6 % of GDP	2001	Rockwool Foundation, study no. 10; questionnaire survey
Greece	Over 20 % of GDP	1998	Non-confirmed figures in press releases
Ireland	Not available		
Italy	16 – 17 % of GDP	1998/2001	ISTAT; Combining and comparing various statistical sources; using indirect estimation methods
Luxembourg	Not available		No reply
The Netherlands	2 % of GDP	1995	CBS, national accounts; Combining and comparison of data sources
Portugal	5 % of GDP	1996	Statistics Portugal, national accounts; Combining and comparison of data sources
Spain	No figures available		
Sweden	3 % of GDP	1997	Rockwool Foundation, study no. 10; questionnaire survey
United Kingdom	2 % of GDP	2000	Rockwool Foundation, study no. 10; questionnaire survey

For the purpose of collecting data on the extent of undeclared work, we approached all the National Statistical Offices (NSO) of the EU15. As previously noted, information on the size (and structure) of the informal economies in the various countries is sparse. Only a few countries paid attention to

³³ The Shadow Economy in Germany, Great Britain and Scandinavia: A measurement based on questionnaire surveys, S. Pedersen, Rockwool Foundation Research Unit (2003).

³⁴ The Shadow Economy in Western Europe, Measurement and Results for Selected Countries, Rockwool Foundation Research Unit (October, 1998).

the phenomenon of undeclared work, and even when they did, it was sometimes years ago. Even when the information was old, we still included it in our table, since people at the NSOs ensured us that the figures were still current.

Active research on the size and structure of was even sparser and was mainly found in Italy. Other countries confined their attention to adjustments for exhaustiveness of the national accounts.

We therefore sought additional information, preferably internationally comparable data. The data collected by the Rockwool Foundation proved to be very suitable for our purposes.

The information in Table 4.1 is thus based on three major sources and methods:

- Survey research by Rockwool Foundation – Germany, Sweden, Denmark and the UK
- Adjustments for exhaustiveness of national accounts – Austria, Belgium, Finland and France
- Independent estimates on size made by national statistical offices – Italy, Netherlands and Portugal
- Other literature – Greece

It is very unfortunate that it was not possible to obtain fully comparable international data on undeclared work. Nevertheless, it looks as if undeclared work in most of the EU15 countries is rather modest in size. For many countries figures around or far below 5 % of GDP are reported. Exceptions to this rule are provided by some of the southern European countries, notably Italy and Greece.

The very fact that Member States are not very active in estimating the volume of undeclared work also means that very few countries are concerned with the definition of undeclared work or informal economy. Those countries that responded to our questions on this issue stayed very close to the descriptions of SNA-93 (underground production). A specification was found in Belgium where national accounts distinguish between:

- Hidden enterprises: production units that are not registered (the term "not registered" meaning "non-registration in the statistical registers of economically active units"³⁵). These enterprises do not satisfy the legal requirements relating to the payment of social security contributions, etc. The adjustment needed in order to make an exhaustive estimate of value added is known as the *adjustment for hidden labour*.

³⁵ Commission Decision of 24 July 1998 on the treatment of VAT fraud in the national accounts (98/527/EC, Euratom)

- Hidden activities: activities which are not declared in full by enterprises whose output and value added should appear in the accounts based on the registers of producer units. The adjustment designed to provide an exhaustive estimate of value added is known as the adjustment for tax fraud (and evasion).

4.3 Structure

For those countries where the Rockwool Foundation conducted its direct research, we can give a description of the main aspects of the structure of undeclared work.

Table 4.2 shows the proportion of the population between 18 and 74 years of age that carried out undeclared activities in the year prior to questioning. In Denmark, one fifth of the population admits they have been working undeclared; in Great Britain, less than 8 % do.

Table 4.2 Proportion of the population between 18 and 74 years of age who carried out undeclared work in the year prior to questioning (%)

	Yes	No	Don't know	Year
Denmark	20.3	79.3	0.5	2001
Norway	17.3	82.3	0.4	1998/2002
Sweden	11.1	88.4	0.5	1997/1998
Germany	10.4	86.7	2.8	2001
Great Britain	7.8	91.2	1.0	2000

Source: Pedersen 2003

The time spent on undeclared economic activities during the course of a week differs between countries. In all Nordic countries, it is around five hours, but it is much longer in Germany and far shorter in Great Britain: 8 hours and 14 minutes and only 3 hours and 48 minutes, respectively.

With these findings, Pedersen is able to calculate the extent of undeclared work, as presented above. The assumption he makes in doing this is that productivity in undeclared work equals that in formal labour. If he were to use a lower rate of productivity (which is probably more realistic), the figures would turn out much lower.

Table 4.3 gives a breakdown of the participation in undeclared work by age group, occupation and sex.

Table 4.3 Proportion of the population between 18 and 74 years of age that carried out undeclared work in the year previous to the questioning, by sex, occupation and age group (%)

	Denmark	Norway	Sweden	Germany	Great Britain
Man	29.4	23.8	15.4	14.5	10.4
Women	11.5	10.7	7.0	6.5	5.4
18-19	42.0	22.2	24.6	16.6	(3.9)
20-29	26.8	23.9	17.1	19.1	13.0
30-39	24.5	20.3	17.4	13.2	13.2
40-49	22.1	16.9	12.1	10.0	7.8
50-59	15.9	12.8	(4.5)	7.4	(3.9)
60-69	11.5	9.3	(3.7)	5.6	(1.5)
70-74	(6.1)	(6.0)	(2.6)	(1.0)	(0.6)
Self employed	27.8	33.3	17.5	12.1	(13.5)
Employees	18.2	13.8	7.2	7.1	9.5
Skilled workers	29.2	41.8	15.8	19.2	12.5
Unskilled w.	28.6	20.3	13.4	8.2	(5.6)
Unemployed	(9.9)	(21.7)	(10.6)	20.7	(9.2)
Pensioners	9.5	(5.9)	(3.3)	4.2	(1.1)
Students	25.2	18.7	23.5	27.3	30.6
Other	--	12.5	(7.8)	8.7	(3.7)
Total	20.3	17.3	11.1	10.4	7.8

Source: Pedersen 2003. Figures between brackets mean that there are (too) few observations in the cell.

If we also look at the average hourly wage of the different groups, Pedersen's study confirms earlier findings in Western Europe that the market for undeclared work is dominated by men, often holding a formal job already, generally providing skilled labour and being part of the dynamic age group between 25 and 45 years of age (Renooy 1990, Van Eck and Kazemier 1989).

A slight difference can be seen in Germany, where a remarkably large share of the unemployed is active in undeclared work. They earn relatively low wages and work long hours; Pedersen suggests that the supply of labour provided by illegal immigrants to Germany accounts for these findings.

Those participating in undeclared work of the various countries were asked in which type of industry they were doing so. With the exception of Germany, the construction industry has the largest share of undeclared activities (relative to formal employment) in all countries studied. In

Denmark, this type of informal work equalled 25 % of the formal hours worked in construction. Topping the list for Germany, and ranking second in most other countries, were agricultural activities, including gardening. Third in row was the hotel and restaurant sector. For all countries, there was only a very low proportion of undeclared work in manufacturing and a modest proportion in personal services like childcare and hairdressing. Surprisingly, housecleaning is not mentioned in the report of the survey³⁶. On our request, the Rockwool Foundation produced a new table, in which a division of undeclared work in the various countries is presented. It is clear that construction and different types of services are the main fields of undeclared work.

Table 4.4 Undeclared work among 18-74 year olds by type of activity in Denmark, Norway, Sweden, Germany and Great Britain

	Denmark (2001)	Norway (1998/2002)	Sweden (1997/1998)	Germany (2001)	Great Britain (2000)
Agriculture, forestry, fishing	(5,2)	(0,8)	9,1	(4,3)	(1,1)
Manufacturing	(1,0)	(3,0)	4,9	(1,3)	14,0
Trade	(0,3)	(0,6)	(1,6)		(0,7)
Construction	53,3	43,5	27,2	29,0	46,7
- Painting and decorating	11,1	5,3	5,5	17,0	17,2
- Carpentry and joinery	12,5	14,9	7,2	(0,9)	11,1
- Bricklaying	13	(10,6)		(1,1)	1,3
- Other (e.g. Electrical and plumbing work)	16,7	12,8	14,6	10,0	17,2
Service functions	34,1	39,5	48,4	42,5	23,8
- Repair work	9,8	5,9	5,8	3,7	11,6
- Auditing and legal advice	(2,3)	(0,7)	2,0	(0,2)	
- Cleaning	(1,2)	(2,1)	2,5	4,3	
- Childcare	1,8	16,6		3,9	
- Garden work	10,6	2,6	1,8	10,6	
- Other special services such as hairdressing	8,4	11,6	36,4	19,8	12,2
Other (typically different forms of transport services)	(2,2)	(1,9)	6,4	5,0	(4,8)
Activity not stated	(3,9)	10,7	(2,3)	17,9	8,9
Total	100,0	100,0	100,0	100,0	100,0

*Figures are given in parenthesis when the number of respondents represented in a cell is less than 20.
Source: The Rockwool Foundation Research Unit, 2003*

³⁶ This is due to the coding of the activities according to the NACE grouping.

Recently, estimates were made for illegal work (which is different from our definition of undeclared work) in the Netherlands. Based on analyses of different sources, like statistics of the Labour inspectorates and many interviews, the researches reached the estimate of 50 000 – 80 000 labour years of illegal labour in 2004. This is around 1% of the total labour volume in the Netherlands (Zuidam and Grijpstra 2004). Most illegal labour was found in agriculture, viz. around 17.000 labour years, representing more than one fifth of the registered labour volume in that sector. The building industry and road transport were other branches with a lot of illegal labour.

4.4 Shaping factors

In the study that Regioplan conducted for DG Employment in 2001³⁷, different sets of reasons were identified that explain the existence and development of undeclared work. Findings in the current research confirm the usefulness of these sets. We therefore use them here to present our findings on the shaping factors in the EU 15. The most important were:

1. Market factors
2. Institutional factors
3. Individual characteristics

Ad. 1 Market factors

Three markets are of specific relevance to the development of undeclared work.

- The labour market
- The goods and services market
- The information market

The growth of the volume of undeclared work is often seen as a reaction to imperfections in the formal labour market. When formal supply and demand do not meet, the possibilities for an informal labour market grow. These imperfections can be generated by a high cost of labour, a shortage of labour (quantity or quality), a shortage of jobs, or inflexibility and rigidity of the labour market. Pedersen particularly emphasizes this last reason for the emergence of undeclared work in Germany. It can also be the supply of cheap labour in combination with seasonal peaks in demand that trigger undeclared work. In the mentioned study into illegal labour in Holland, the (illegal) supply of cheap labour from former Eastern bloc countries is seen as an important push factor for illegal labour in Dutch agriculture.

³⁷ Mateman, S. and P. Renooy (2002), Undeclared labour in Europe: Towards an integrated approach of combating undeclared labour

The goods and services market can also show imperfections that generate a shadow economy. Goods and services can be too expensive on the formal market, or can even be absent altogether. Another possibility is that services offered do not meet demanded quality standards or cannot be delivered at the requested times of day.

Finally, the information market is of importance. Access to information is possibly more important in the shadow economy than in the formal sphere. The market is far from anonymous. The existence of social networks can therefore be a stimulus for the development of the shadow economy. A growing phenomenon in the Netherlands is the temp agencies that are active in bringing illegal labour to employers. Many of these agencies are themselves illegal or at least not registered. Zuidam and Grijpstra estimate a total of 12,000 of these agencies, mostly active in the agricultural sector.

Market factors, however, cannot be studied separate from the institutional aspects that we discuss below. Pfau-Effinger (2003), for example, stresses that welfare arrangements to a large extent determine demand for and supply of certain services, like childcare. This in turn influences demand for and supply of informal (female) labour. We will go into this in chapter 7.

Ad. 2 Institutional factors

The heading institutional factor refers to relations between citizens and public authorities and their relations with organisations and institutions of the so-called civil society, such as trade unions and churches. In this regard, the degree of trust that people put in government and government agencies and the degree of inclusion that people experience in society are of great importance. When there is very little identification with government or society at large, people will more easily act against common rules. Institutional relations, therefore, are closely related to *culture* as an influencing factor.

A not often mentioned factor shaping undeclared work is the strength of the bureaucracy. Civil servants, be they at local or national level, are not always capable or willing to perform the tasks necessary to control or combat undeclared work. Not infrequently, local civil servants and local politicians are very much involved in undeclared work themselves.

An important cause within this set of factors is the tax level. High taxes supposedly encourage tax evasion and do not improve the relationship between citizens and government (unless citizens get something they value in return for tax payments). Other influential factors are the transparency of legislation and legislation enforcement. If control mechanisms are unclear and inefficient, people will be more prone to evade taxes by performing undeclared work.

In this respect it is interesting to learn that the organisation of temping agencies in the Netherlands (ABU) points at the liberalisation policy for labour exchange as a cause for the growth of undeclared work in Holland.

Pedersen concludes, however, that it is not possible to show a general and satisfactorily clear correlation between the extent of undeclared work and the factors “normally used in economic theory” like taxation, perceived risk of sanctions and citizens’ social morality. He stresses the complex interplay between various factors that varies between countries (or even regions).

Ad. 3 Individual characteristics

Given certain market and institutional factors, at the micro level, the choice of entering into undeclared work depends on the characteristics of the individual, or more specifically, of the household to which the individual belongs. Pedersen’s research confirms other studies³⁸ concluding that especially the development phase of a household (e.g. family building), the income situation, available skills and the level of education of members of the household play an important role in the decision to “go informal”. In determining which kind of informal labour is performed, gender also plays an important role. The existing inequality between men and women in the formal labour market is reflected in undeclared work (see chapter 7).

4.5 Policy

The causes described above will, in various combinations, lead to a range of manifestations of undeclared work, with different participants. A successful policy is that policy which specifically takes the mix of shaping factors, circumstances and effects into account. While policy will sometimes be intended to suppress parts of undeclared work, it can also aim at further development and formalisation of informal activities.

A successful policy should be tailor-made, and there are no standard recipes that can be applied. Member States should, as part of the European Employment Strategy, pay special attention to combating undeclared work. In the second pillar (guideline no. 9), Member States have committed themselves to combating undeclared work and to transforming it into regular employment. In the following, we will outline how the Member States included a policy regarding undeclared work³⁹. The presented information is based on the 2001 report “Undeclared Labour in Europe”, the National Action Plans of 2001, 2002 and 2003 of the EU Member States⁴⁰ and the answers received from countries on the questionnaires sent during the 2003 study.

³⁸ See Pahl, R.E. Divisions of labour. Oxford 1985. NAO, Illicit Work in Sweden, Stockholm 1998.

³⁹ If for a country information regarding for example 2002 is missing, no specific national policy measures are mentioned in the NAP of that year.

The policy we found in the relevant National Action Plans could actually be divided into policy aimed at controlling and combating undeclared work and policy aiming at transforming undeclared activities into formal work. The findings are outlined in Table 4.5.

Table 4.5 Policies presented in the NAPs on employment guideline no. 9 (2001 – 2003)

Country	Legal or control related measures	Transformation
Austria 2003	Improvement of the law enforcement capacity (from 94 to 200 employees). Setting up of a new organisational unit to combat illicit work by illegal foreigners. Introduction of a social insurance chipcard	Reduction of administrative burden, harmonisation of rules, tax reforms, improvement of labour market flexibility
Austria 2002	Centralisation of control activities within Ministry of Finance.	
Austria 2001	Increased control by labour market authorities	Simplification of administrative procedures, simplification of regulation, more flexible working time arrangements
Belgium 2003	Increased control, introduction of specific measures	Measures to transform illicit (household) service jobs into legal jobs; reducing legislation on temporary work to prevent evasion of taxation liabilities, reducing red tape, reducing tariffs
Belgium 2001	Increased control by tax and labour market authorities	Measures to transform illicit (household) service jobs into legal jobs. Simplification of administrative procedures registering new employees.
Denmark 2003	Concentration of control by tax authority on systematic fiddling and tax evasion	Reduction of administrative burden, simplification of legislation, reduction of tax burden for both enterprises and private persons, lower taxes on labour
Denmark 2001	Increased control by tax and labour market authorities	Lower marginal taxes
Finland 2003	Promoting cooperation between authorities, rectifying shortcomings in the legislation to make monitoring easier, increasing information provision to foreign workers and increase more efficient monitoring of the working conditions of foreign workers	
Finland 2001	Reinforced fiscal action and control, increased control on unemployed, strengthening of sanctions	

⁴⁰ As available for download on the website of DG Employment and Social Affairs

France 2003	Reinforcement of inter-ministerial administrative coordination between control authorities, promote more systematic application of existing administrative penalties, promote commitment from social partners to the control programmes and awareness raising campaigns, increased fines, enhancement of juridical and operational tools of the European administrative co-operation to control cross-border employment, especially in the context of detachment for delivery of transnational services.	Increase fluidity of the labour market (especially concerning seasonal work in agriculture and tourism), intensified partnership between administrative bodies and social partners, increasing knowledge of the phenomenon (by sectoral researches, development of sectoral and local diagnostic instruments and assessing risk factors), simplified procedures, increasing mobility within sectors (because of correlation between undeclared work and recruitment problems), simplifying and clarifying juridical status of certain employment types (independent workers, voluntary workers, stagiars).
France 2002	International cooperation within control (Franco-German agreement)	Sectoral studies on the phenomenon to gain better understanding of theme. Integrating control and labour market measures.
France 2001	Increased control by the authorities. Improving data-sharing between local governments.	Simplification of administrative procedures for seasonal work.
Germany 2003	Installation of Act on the Simplification of the Fight against Illegal Employment and Moonlighting (2002): increase control, increase penalties (e.g. excluding offending entrepreneurs from the call for tenders of public contracts for up to three years), improve co-operation between authorities of the relevant German Member States, special attention for construction sector.	Creating incentives for Mini-Jobs in the household-related sector; simplification of rules for start-ups, making access to self-employment in the sector of "simple occupations" easier; financial support for start-ups; introduction of 'Me-Inc.'s (German: Ich A.G.) as new legal body (proposals of the Harz Committee)
Germany 2002	Planned collaboration with Netherlands, Denmark and Czech Republic combating undeclared work.	
Germany 2001	Increased control by tax and labour market authorities, strengthening of sanctions, change in labour legislation	Introduction of cheque service, reduction income tax, increasing basic allowances (630 DM jobs)

Greece 2003	Modernization IKA Fund (Greek Social Security Institute) and the Association of Labour Inspectors (SEPE) to allow more systematic control of compliance with regulations concerning pay, working conditions and respect for workers' rights; legitimization status of migrant workers results in more effective integration into the labour market	Simplification of legislation; reform of the national insurance system
Greece 2001	Reinforcement of fiscal control, raising of fines, legitimization status of migrant workers for 9-12 months	Reduction of non-wage labour costs. Implementation of favourable taxation to small and personal businesses.
Ireland 2003	Strong enforcement measures: screening, publication names of offenders, tracking down of those not registered for tax purposes, active prevention of fraud and abuse social insurance schemes	Particular attention paid to the Construction sector and arrangements made to ensure that everybody working in the sector is brought into the tax net. Every effort is made to facilitate and reduce red tape for the compliant taxpayer
Ireland 2001	Increased control by tax authorities, strengthening of sanctions	Reduction of personal taxation, reduction of social security contributions for certain categories of workers
Italy 2003	Raised administrative sanction based on labour costs (25 April 2002)	Establishment of provincial committees on surfacing undeclared labour (CLES) and implementation of network of tutors approaching and supporting entrepreneurs surfacing. Implementation of "Biagi law" (30/2003)
Italy 2001	Restructuring measures for VAT, corporate and income tax. Increased control by Tax Authorities and Labour Market Authorities.	Implementation of wage alignment agreements Establishment of national committee on surfacing undeclared work
Luxembourg 2003	Excellent administrative co-operation between control authorities, which started a systematic, multi-sectoral campaign at the beginning of 2002.	Social security measure: simplified procedure for employers to declare the net wages agreed with persons carrying out household services, elderly care and childcare. This procedure was introduced by the law of June 19, 1998.
The Netherlands 2003	Prevention, checks, investigation and disposal through administrative channels. Tightening up checks and investigative efforts; financial penalties for people who make money through illegal immigrants. Reduction of identity fraud. Introduction of compulsory identification to combat identity fraud.	Simplification of legislation, reduction in the administrative burden, incentives, use of social benefit money to lower the rates paid for declared cleaning services.
The Netherlands 2001	Establishments of RIFs, increased control of labour market authorities, strengthening of sanctions	Higher tax free sum for the employed, VAT reduction for labour intensive services

Portugal 2003	Strengthening of interventions of informative nature, raising awareness of negative effects, reinforcement of inspection operations. New regulatory framework for immigration (working visas). Development of a basic information system to monitor informal work. Awareness campaigns	Removal of the disincentives to declared work to minimise the effects of tax and benefit systems that favour undeclared work. Minimisation of tax effects that favour the creation of false self-employment. Interventions intended to remove excessive red tape and make the tax and benefit system favourable in terms of regular work
Spain 2003	Checks, special attention for certain sectors (domestic work, temporary and seasonal agricultural workers, tourism sector), as well as specific geographical areas	Reduction in the tax wedge and in marginal tax rates on earned income, especially for low-income workers; reduction of tax burden on new companies, continuation of reductions in employers' social security contributions. Spain claims almost 64,000 successful transformations of undeclared work into regular employment in 2002
Spain 2002	Increased control campaign.	Reduction of overhead costs on businesses. Simplification of administrative procedures. Offering possibility of combining agricultural sector unemployment benefit with income from work. Legalisation of position of immigrants.
Sweden 2003	More effective use of the control instruments; Clarifying risks of remaining outside the regular systems. Introduction of a new system of collecting taxes in the building industry on the principle of chain liability	A physical person who engages another physical person for domestic work has, since 2002, been allowed to report income tax withheld and employer's contributions payable on remuneration for this employment, using a simplified tax return.
UK 2003	Prevention, detection & punishment through tighter controls and stronger punishment, raising public awareness. Job Grant, providing automatic payment to job seekers aged 25+ moving from benefits to full time work and extension of housing benefit for people moving into work	Incentives and support to people starting up businesses. Creation of Joint Shadow Economy Teams across Departments (achieving many new registrations for VAT). Cutting red tape for business start-ups
UK 2001	Increased control by authorities.	

In the policies aiming at transforming undeclared work, much attention is given to measures that *change the system* in a way that removes incentives to go undeclared. Examples are:

- Reducing the administrative burden in Austria, Denmark, the Netherlands, the UK and Spain
- Tax reduction and revision, e.g. in Denmark, Ireland and Portugal
- Increased flexibility of employment relations like in Austria and Belgium
- Simplification and harmonisation of rules, e.g. in Austria, Greece, the Netherlands, France, Portugal and Denmark

- Creation of new legal entities or business schemes to compete with undeclared work, like in Germany and Belgium (also see chapter 6)

Undeclared work can also be transformed through measures that *enhance access to the formal economy*, like for instance:

- Financial support for business start-ups, in Germany and the UK
- Tax credits for employed, like in the Netherlands and the UK
- Supporting small businesses to gradually “go formal”, like in Italy (also see chapter 6)

In the policies aimed at transforming undeclared work, we find also find two types of measures. The first group is aimed at *enforcing the system*:

- Increased control by tax and labour market authorities through co-operation of authorities, in Finland, Sweden, Luxembourg, Germany
- Increased control by tax and labour market authorities through strengthening existing controlling bodies, like in Austria, Germany, Greece, Ireland and the UK
- Increased control by tax and labour market authorities through new controlling bodies, like in the Netherlands, Austria and Portugal
- Targeted actions, for example aimed at illegal immigrants (the Netherlands, Austria, Portugal), aimed at certain sectors like domestic work (Spain), seasonal agricultural work (Spain) or the building industry (Sweden) or at certain groups of offenders, like systematic cheaters (Denmark)

The second group consists of measures aimed at *changing attitudes and behaviour*. These kinds of measures are found in:

- The UK and France, launching public awareness campaigns
- Finland, increasing the provision of information to foreign workers
- Ireland, publicising the names of offenders
- Sweden, publicly clarifying the risk of going informal (also see chapter 6)

Just like in our former study on policies combating undeclared work, little can be said about the results of the measures. Spain claims to have transformed 64,000 jobs into the formal sector; in Germany, around 600,000 people arguably changed their side job from informal to formal thanks to the system of minor employment (Baumann and Wienges 2003: see also chapter 6).

4.6 Summary

Information on the size and structure of undeclared work collected through reliable methods is sparse. Research on this topic is carried out in very few countries. We therefore combined

information from statistical offices in several countries with results from the study done by Pedersen (2003) in five European countries, to gain an overview of the incidence of undeclared work in the EU15. The conclusion is that undeclared work in most current Member States is reported to be rather modest in size. Many countries report figures around or far below 5 % of GDP. Exceptions to this rule are found in southern European countries like Italy and Greece.

The very fact that many member countries are not very active in measuring undeclared work also means that very few countries are concerned with the definition of undeclared work or informal economy. The countries that responded to our questions on this issue all stayed very close to the descriptions of SNA-93 (underground production).

Examining the characteristics of undeclared work, participation is dominated by men, often with a regular job, generally skilled workers and part of the dynamic age group between 25 and 45 years of age. This group has the better position in undeclared work. Others – like women, students and the formally unemployed – take less favourable positions, earn less and work longer in less attractive jobs. The sector with the highest incidence of undeclared work is the construction sector. In Pedersen's study, the sector is rivalled only in Germany by agricultural work, including gardening. Next to these two sectors, undeclared work is found mainly in the hotel and restaurant sector and in personal and domestic service

There are no general, universal causes for the existence and development of undeclared work. It is brought about by a complex interplay between various variables that differs between countries. Apart from economic reasons like tax burden or rigidity on (labour) markets, trust in and the quality of government play an important role. Furthermore, one should not ignore the role of culture in shaping an informal economy. The Member States all set out a policy regarding undeclared work, in response to Employment Guideline No. 9. Very much attention is given to measures that simplify rules and regulation and that bring down the administrative burden for employers. Labour market rigidity is also combated in several countries. Additionally, control is tightened in most countries, and new controlling bodies are set up or old ones are strengthened in their work.

In a few countries, like Belgium and Germany, completely new institutional arrangements are developed to undermine the existence of undeclared work in certain sectors of the economy, viz. personal and domestic services. Similar initiatives have been taken in France and Denmark in the early 1990s.

5 Undeclared work in the new Member States and candidate countries: size, measurement and policy

In this chapter, we discuss undeclared work in the new Member States and candidate countries in central and eastern Europe. Little attention is given to the small and poorly documented economies of Cyprus and Malta. In section 5.1 we briefly present the main characteristics of undeclared work in the various countries. The section is based on the reports by the national experts, in reaction to the questionnaire that was sent to them (see appendix 2). A comprehensive analysis is presented in the second section.

5.1 Country studies

5.1.1 Czech Republic

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴¹	9-10	1998
Dynamics of undeclared work	Down since 1995	
Population (in 1,000)	10,283	2001
GDP per capita (€)	13,700	2001
Unemployment	7.3 %, stable	2002
Tax: personal, corporate (%)	15-32; 31	2002
Foreign Direct Investment (% GDP)	12	2002

Characteristics

The main participants are:

- Employees performing more jobs with different employers.
- Small and medium size entrepreneurs performing sub-contracts for big enterprises in situations of very limited scope of making profit. Hence they are trying to increase it by reducing labour costs by means of using undeclared employees or by means of undeclared income.
- People without proper employment (registered unemployed, housewives) concurrently receiving social benefits, social assistance, or pensions, which are not sufficient for fully covering their cost of living.

⁴¹ Minimum estimated size. Based on exhaustiveness studies 1998. See also: Eurostat (2001), *Pilot Study on Exhaustiveness: Results for the Czech Republic*.

- Foreigners (employees or self-employed) who do not comply with obligations set forth in particular legislation (residence permit, work permit, taxes, social security and health legislation).

Undeclared work is more typical for sectors with a higher share of manual work and lower wages, where competitiveness and profit are highly dependent on the cost level. It is widespread in sectors and professions utilising low-skilled, seasonal, or casual work performed in an environment that cannot easily be controlled. Typical sectors with a high occurrence of undeclared work are: construction industry, agriculture, hotel and restaurants, trade (typical here is a street retail trade and markets) and other services, also textile industry.

Infringement of legal regulations is a widespread behavioural pattern inherited from the socialist era, when legislation prevented free enterprise. Certain activities were commonly performed by so called “moonlighters” (people working after finishing hours in their regular jobs, during weekends and holidays).

Shaping factors

- Undeclared work in the CR originates from the conditions of the socialist era. The impossibility of performing private economic activities lawfully resulted in the transfer of these activities into the grey economy zone. Practices of undeclared work became a widespread and integral part of the economic culture. It still survives because it has become a customary behaviour, due to the pursuit of quick, high and untaxed profit, and as a result of insufficient control.
- A low level of entrepreneurial culture, experience and often also ignorance of the law regulations by new entrepreneurs contributed to the expansion of undeclared work.
- Non-clarified ownership rights of formerly state owned enterprises, and speculative concerns of owners and managers contributed as well.
- In the beginning of the economic transformation a substantial number of employees were laid off, and some of them moved into undeclared work. A specific system of hiring quasi-entrepreneurs working on the basis of trade licenses replaced standard work contracts.
- After the year 1990 the state did not succeed in creating a rational and transparent economic environment. Legal regulations were created slowly and in an unsystematic way.

Policy

The government is now aware of the necessity to address undeclared work in a conceptual and co-ordinated way and to find indicators for better identification thereof. In the year 2000, an inter-ministerial body for fighting illegal employment of foreigners was established in the CR, which should serve as a means of improving the efficiency of fighting undeclared work. Policy measures were: tax policy simplification, more control of compliance with employment act, active

employment policy, minimum wage, labour code amendment, regional committees against undeclared work, and the introduction of labour inspectorates.

Additional employment?

Because activities are fragmented, seasonal and/or connected with formal work (underreported income), transformation of undeclared work into regular labour is not easy. Czech experts estimate its volume to be very small.

5.1.2 Estonia

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴²	8-9	2001
Dynamics of undeclared work	Decreasing	
Population (in 1,000)	1,364	2001
GDP per capita (€)	9,240	2001
Unemployment	9.1 %, stable	2002
Tax: personal, corporate (%)	26; 26	2003
Foreign Direct Investment (% GDP)	8-10	2002

Characteristics

Undeclared work in Estonia is found in sectors like personal services, retail, trade and repair, construction and agriculture. The phenomenon of so-called envelope wages also exists, but its incidence is decreasing.

Shaping factors

Undeclared work in transition countries like Estonia can be partially explained by attitudes toward the role of the state inherited from a socialist economy, lacking understanding of the connection between paid taxes and received social services. Another legacy of the socialist period is the shortage of certain goods.

Other reasons for the development of undeclared work in Estonia are the marginal tax rates and high rates of unemployment in certain regions of the country.

Cross-border trade (and smuggling) in the eastern part of the country, due to large price differences with Russia, might have been a stimulus for undeclared work in those parts of the country.

It seems the volume of undeclared work is slowly decreasing in Estonia, partly due to a high volume of foreign investment in the country. Most foreign companies avoid undeclared work. In this sense, it is important that Estonian economy has long been quite well integrated with Western markets, in particular the Scandinavian countries.

Policy

Economic policy in Estonia has aimed at creating a competitive economic environment with simple regulations of labour relations and low tax levels. This should boost economic development in the formal sector and “automatically” fight undeclared work. Labour laws have been revised and taxes were set at reasonable levels.

For individuals the new pensions scheme was an incentive to find work in a formal setting, since the build-up of pension funds became connected with the formal salary. Informality has also decreased thanks to stepped up controls, made possible through increasing capacity of relevant authorities (tax offices, municipalities, Ministry of Internal Affairs)

Additional employment?

Most new employment in Estonia is created in the formal sector. It is not likely that a major part of this new employment is former undeclared work. Through stricter controls some work (retail, construction) may “surface”.

5.1.3 Slovakia

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴³	13-15	2000
Dynamics of undeclared work	Stable	
Population (in 1,000)	5,397	2001
GDP per capita (€)	11,200	2001
Unemployment	19.4 %, declining	2002
Tax: personal, corporate (%)	10-38; 25	2003
Foreign Direct Investment (% GDP)	28	2002

Characteristics

Undeclared work in Slovakia is particularly concentrated to small enterprises in sectors with a high intensity of manual work, seasonal and occasional jobs. The following sectors were identified as

⁴² Exhaustiveness calculations using labour input method., Statistical Office Estonia.

having a high share of undeclared work: construction, in which undeclared work represents 17 % of the total employment in this industry, trade (15 %), hotels and restaurants (13 %), transport (9 %), and the real estate and business services (6 %). Undeclared work also occurs in personal services, agriculture and “other” branches (these estimates were made in the course of the exhaustiveness adjustments to the national accounts).

The undeclared work can have different forms:

- Fully unregistered employees. Often these are formally unemployed who take up seasonal or otherwise temporary jobs.
- Partly unregistered employees. These people are registered as earning a minimum wage, while in reality they have extra, cash earnings for the same job. It could also be that the employee has a part time contract, while in reality he is working full time.
- Self-employed who undertake activities without a license or permits.

Shaping factors

Informal activities always existed in Slovakia, including during the socialist period. At that time they consisted mainly of household production and some odd-jobbing. Its extent was limited, due to controls. Economic and political transition brought about an intensification of informal activities, both by expanding existing informal activities and by creating new ones. The main factors influencing the growth of undeclared work were the establishment of private enterprises, high burdens of taxes and social security contributions, high unemployment (20 % in 2001!), a weak institutional environment, instable and unbalanced economic development and a high degree of tolerance towards cheating the system.

Policy

The government of Slovakia adopted the Strategy of employment support in July 2003⁴⁴. It comprises for example:

- Reduction of disincentives resulting from both the tax and the insurance payments burden on labour force and job creation.
- Motivation of individuals to search and to retain the job.
- Making the labour market services and social policy and support more efficient.
- Prevention of social system abuse.

These measures can be interpreted as a policy package to prevent undeclared work.

⁴³ Source: the Statistical Office of the SR (Hajnovicová 2002). Combining various methods (e.g. enterprise surveys, household surveys)

⁴⁴ Stratégia podpory rastu zamestnanosti prostredníctvom zmien sociálneho systému a trhu práce. Materiál na rokovanie vlády SR. MPSVaR SR, Bratislava, July 2003. (Strategy of support for the growth of the employment by changing social system and labour market. Paper submitted to the government of Slovakia. Ministry of labour, social affairs and family, Bratislava)

Additional employment?

Improvement of the economic situation and more efficient labour market regulations (as in the above mentioned Strategy) in Slovakia will result in a surfacing of part of the undeclared work. However, it should be stressed that undeclared work will not disappear easily. Cost and efficiency considerations will keep on leading to informality.

5.1.4 Hungary

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴⁵	18	1998
Dynamics of undeclared work	Decreasing	
Population (in 1,000)	10,188	2001
GDP per capita (€)	12,250	2001
Unemployment	5.6 %, stable	2002
Tax: personal, corporate (%)	40; 18	2003
Foreign Direct Investment (% GDP)	15.7 %	2002

Characteristics

Undeclared work is mainly concentrated to those branches of the economy where state control is relatively weak, partly due to the nature of these activities (outdoor activities, face to face agreement between sellers and buyers “on the site” etc.), and which have a large number of actors (typically small, very flexible firms). Furthermore, there is a relation between the presence of undeclared work and the weight of domestic capital. At present, the most typical activities within the informal sector are: agriculture (e.g. seasonal work, harvesting), building industry (e.g. self-help housing construction, maintenance, repair), trade (e.g. petty commerce, street trading), tourism (catering and other services), housing market (renting out dwellings to private individuals) and transportation (moving, delivery of goods). Another type of undeclared work concerns the underreporting of income (working with a contract, but earning more than the contract states). Undeclared work has displayed strong geographical variations in Hungary, correlating with the economic development of regions.

In terms of gender, men are overrepresented in undeclared work. Reasons for this are:

- Due to traditional values, the income earning role is mostly taken by men.

⁴⁵ 18 % was found by Borboly in 1998. Combining various methods (e.g. business surveys, expert interview)

- Female labour is concentrated to the public sector, where job security is higher and the role of undeclared work is limited.
- Participation of women in the “after hours undeclared work” is limited by their traditional task within the family (care, household work).

Shaping factors

The main reasons for undeclared work are, like in many other former socialist countries, institutional problems (inefficiencies, bureaucracy), high unemployment, high experienced tax burden, uncertainties about the (economic) future and a lack of trust in government. Since 1996 economic growth and stabilisation contribute to a decline of the informal activities.

Policy

There has been no explicit state policy against undeclared work in Hungary, despite the fact that all governments included the “fight against the black economy” in their main goals. Until now, no serious action against undeclared work has been taken. There has been no special organisation for the purpose and sanctions against such activities have remained very soft. Informal activities seem to be “tolerated” to a certain extent.

Simpler tax regulations and decreasing tax burdens (corporate tax dropped from 36 to 18 %) combined with stricter controls, contributed to a decrease of undeclared work.

Additional employment?

Given the characteristics of undeclared work in Hungary, it is not likely that this will be a major source of new employment. The development of the last 5-8 years indicates that much of the undeclared work will dissolve with growing economic prosperity. This may, however, also lead to new undeclared activities.

5.1.5 Latvia

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴⁶	18	2000
Dynamics of undeclared work	Decreasing	
Population (in 1,000)	2,355	2001
GDP per capita (€)	7,750	2001
Unemployment	12.9 %, declining	2002
Tax: personal, corporate (%)	25; 19	2003
Foreign Direct Investment (%GDP)	31 %	2002

Characteristics

The sectoral analysis performed by the CSB (Statistics Bureau) suggests that the highest share of undeclared work can be found in the following sectors: construction, trade, commercial services (real estate agents etc.) and personal services (hairdressers, repair service) where it is higher than the average - 25-30% (2000). The CSB is developing its methodology for measuring undeclared work, however no regional or gender-specific estimates are available at the moment.

Undeclared work is measured as the discrepancy between persons employed as reported in the Enterprise Survey (ES) and the labour force survey (LFS) performed by the CSB. The CSB estimates that about 23 % of the employed workforce is in unregistered employment. In agriculture in Latvia there are more than 60,000 semi-subsistence farms which produce very little for the market. This corresponds to the developing country type informal economy.

By far the biggest share of undeclared income/work arises from enterprises that are registered and is undertaken by workers that are also registered. The typical form of undeclared work is a worker who gets a small wage (subject to minimum taxes) and the rest in an “envelope”. Firms have little motivation to seek fully unregistered labour since that may arouse the suspicions of the tax office (too few workers relative to turnover) and become subject to tax audit. Rather, it is underreporting of income that is prevalent.

Shaping factors

Possible factors explaining undeclared work in Latvia:

- Tax evasion reasons for firms: the perceived “cost” of getting caught is smaller than the benefit of not paying certain taxes such as corporate tax, social tax and income tax.

- Tax evasion reasons for employees: a combination of high social tax rates, structure of inter-temporal preferences (current consumption is preferred to future – pensions) and low incomes create incentives for widespread tax evasion.
- Evasion of social and personal income tax is a result of collusion between employers and employees in which both have motivation and possibility to evade.
- The “Soviet past”, when evasion of the pervasive state regulation was the norm.
- There are quite a few non-citizens living in Latvia (about 1/5 of the population). Most of them are employed in the private sector. It is plausible that this part of the population feels little or no commitment to comply with social rules, such as paying taxes.

Policy

There is no policy specifically designed to transform undeclared work into regular employment. However, the State Revenue Service is constantly working to improve the legislation and to patch up loopholes as they are identified, which makes tax evasion more costly for businesses and individuals.

An important step to curb evasion of social tax payments in Latvia was taken in the implementation of a complete overhaul of the pension system. The main feature of the pension reform is a gradual transition from a traditional PAYG system to a partially funded three-pillar system. Linking taxpayers’ contributions to benefits was thought to improve taxpayers’ morale and reduce underreporting. A move towards more equal shares of employees’ and employers’ social tax contributions was also a step in this direction. Finally, social tax rates are gradually reduced.

Most recently efforts have been stepped up in the fight against the widespread practice of paying wages in envelopes. Several companies were “caught in the act” and these cases were widely publicised in an effort to discourage other companies from such practices.

Finally, it seems that fiscal decentralisation has a positive effect on tax morale.

Additional employment?

Because the majority of the undeclared work is under-declared (“envelopes”) little additional labour can be expected from whitening this kind of labour.

⁴⁶ source: Latvian Bureau of Statistics, combining various methods (e.g. enterprise accounts and labour surveys). Experts say the estimate is a severe underestimation.

5.1.6 Lithuania

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴⁷	15-19	2003
Dynamics of undeclared work	Decreasing	
Population (in 1,000)	3,478	2001
GDP per capita (€)	8,960	2001
Unemployment	13.1 % declining	2002
Tax: personal, corporate (%)	33; 15	2003
Foreign Direct Investment (% GDP)	26 %	2002

Characteristics

The most common forms of undeclared work in Lithuania are non-contractual employment in registered enterprises, employment in registered enterprises under a labour contract whereby part of the income is paid unofficially, self-employment without a registered firm or a required business certificate or a business licence, and non-contractual employment by other individuals (consumers). Undeclared employment in registered enterprises is based on verbal agreements. If contracts are signed, employers are often officially hired for the statutory minimum wage and receive the remaining portion as undeclared payments.

Verbal agreements are most often found in manufacturing, construction and agriculture. It is also a widespread practice in rural areas and small towns to work without receipts. Both unemployed and employed people are found to participate in undeclared work.

Shaping factors

Undeclared work in Lithuania is generally associated with a lack of trust in state institutions and a weak public administration, and specifically with an experienced heavy tax burden and flawed tax administration, complicated accounting rules, imperfect and unpredictable legislation and over-regulation (especially in the area of licensing, employment, quality, hygiene and reporting) and corruption. The costs of compliance are very high, which results in low incentives for and little benefit from legitimate operation. Compliance costs are particularly burdensome for small business. Given that small business constitutes a large share of the Lithuanian economy, this implies a broad basis for shadow undertakings.

Over-regulation and broad powers of public officials also lead to a high level of corruption, which does not encourage legitimate entrepreneurship.

During the restructuring of public enterprises, a high level of hidden unemployment appeared (especially in large industrial enterprises). These hidden unemployed turned to undeclared work to supplement their income.

Undeclared work is directly associated with Lithuania's high statutory minimum wage. Increases in the statutory minimum wage has ousted low-skilled workers from the official labour market and inhibited the creation of low-productivity jobs. Indirect evidence on the detrimental effects of the high minimum wage is given by the high unemployment among less productive workers (youth and the low-skilled).

Policy

The 2001 *changes to the labour laws* are significant, albeit cosmetic, improvements of employment regulations. The mandatory form of labour contracts was abolished, severance benefits were reduced and wage regulations were simplified. The new labour code⁴⁸, effective as of the beginning of 2003, liberalises firing conditions, although it still requires that labour contracts be terminated only for serious reasons. This will reduce the risks associated with hiring labour and is likely to stimulate job creation. The labour code introduces some new forms of flexible employment contracts to reinforce the existing degree of labour market flexibility.

The powers of the State Labour Inspectorate and the State Tax Inspectorate were expanded, so that controls on employers and employees could be stepped up.

Finally, the launch of a pension reform and voluntary fully funded pension insurance is expected to strengthen incentives for formalising labour relationships. Starting from the beginning of 2004, insured individuals would be allowed to transfer 2.5 % of the state social insurance contribution to private pension funds or life insurance companies. On the other hand, increases in social allowances and benefits threaten to counteract these effects.

Additional employment?

Undeclared work is not seen as a huge source of additional employment. Much of the informal activities is either part of existing formal employment (underreported) or consists of marginal activities in rural areas. However, recent deterioration of the tax regime for sole proprietorship may result in the expansion of unofficial self-employment.

⁴⁷ 15-19 % measured by Lithuanian Statistics for 2003. Various methods (e.g. labour input method, expert survey)

⁴⁸ Published on June 14, 2002, Official Gazette "Valstybes žinios" No 64

5.1.7 Poland

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁴⁹	14	2003
Dynamics of undeclared work	Decreasing since 1995	
Population (in 1,000)	38,638	2001
GDP per capita (€)	9,410	2001
Unemployment	20 % growing	2002
Tax: personal, corporate (%)	19-40; 27 (1994:19)	2003
Foreign Direct Investment (% GDP)	Unknown	

Characteristics

Undeclared work in Poland is characterised by huge regional and sectoral differentiation. Studies by the Central Statistical Office (Kostrubiec 1999) show that:

- The intensity of undeclared work depends on seasonality (intense during summers).
- Most undeclared workers are poorly educated – only 42 % have had vocational schooling.
- The majority of undeclared workers are male – a mere 30 % are female.
- Women, however, are better educated and tend to work more permanently in undeclared work. They are active in gardening and farming, tailoring and care of children or the elderly. Men are found in building, construction and installation services and in gardening and farming.

Much of the undeclared work is performed parallel to official work (54 % of the informal workers). For those already having a source of income it constitutes an extra source of income.

Shaping factors

In the 1980s, an informal economy developed as a result of severe shortages of goods and services. Factors explaining the development of the informal economy and undeclared work since the transition are:

- High unemployment at the start of transition, creating a pool of economic agents eager to work undeclared
- The introduction of personal income tax
- Undeveloped institutional structure (legal, finance, tax); the weak banking sector, for example, favoured cash payments.

⁴⁹ Source: Central Statistical Office (2003) and Kostrubiec (1999). Various direct methods (e.g. survey on expenditure, household surveys)

- High social security contributions, to be paid by employers, encouraging them to hire undeclared workers.
- Extensive bureaucracy and a complicated legal system which make it hard to operate in the official sector (Polish entrepreneurs and managers spend around 10 % of their time on contacts with local and national officials. In comparison, Slovaks managers spend a mere 7 % and Czech ones only 3 % of their time on this) (EBRD 2002⁵⁰).
- A tradition of fighting (foreign) authorities.
- Extra rules and regulations concerning female employment (very restrictive and discouraging for employers, e.g. rules concerning maternity leave).

Policy

There has not been a policy specifically aimed at shifting undeclared work from the informal into the formal economy. There are, however, policy measures that discourage undeclared work and stimulate formal employment. There are, for example, the “First Job” programme aiming at lowering the unemployment of young people by reducing non wage labour cost (social security payments) and the programme “Entrepreneurship above all”, which removes obstacles to starting a enterprise. Other measures that help fighting undeclared work are:

- Introduction of VAT
- Changing the Labour Code in order to make labour more flexible (for women as well!)
- Reduction of the corporate tax to 19 % in 2004
- Launching a National Court Register, which allows systematic, digital storage of data on economic entities on the Polish market

Explicitly unsuccessful in fighting undeclared work was the concept of Special Enterprise Zones in areas with high unemployment. The zones created around 40,000 new jobs, but have not resolved the problem of undeclared employment.

Additional employment?

The Central Statistical Office states in its Yearbook 2001 that Poland had 820,000 people doing undeclared work in 1999. Almost half of them were doing this fully outside the formal sector. There has been no research done in Poland as to which extent this work could be transformed to regular work in the formal sector. One might expect a slow decrease of undeclared work as the economy picks up. However, in areas with a high rate of unemployment (usually traditional agricultural) this will take quite a long time.

⁵⁰ European Bank for Reconstruction and Development (2002), Transition Report 2002, London

5.1.8 Slovenia

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁵¹	17	2003
Dynamics of undeclared work	Decreasing	
Population (in 1,000)	1,992	2001
GDP per capita (€)	16,210	2001
Unemployment	6 %, declining	2002
Tax: personal, corporate (%)	22; 16	2003
Foreign Direct Investment (% GDP)	12.6	2002

Characteristics

According to our expert, undeclared work peaked in mid-1990s. The sectors with the highest shares of undeclared work are construction (SMEs) and agriculture, where illegal immigrants do labour intensive work like picking strawberries, and services (personal as well as business).

During the transition from the socialist to the market economy (as far back as the 1980s) many decided to leave industrial employment (if they were not laid off) and start their own business. Their service was fast, efficient and inexpensive – very different from the experience with state-owned socialist enterprises of the same kind. The mushrooming effect of small-business enterprises was particularly high during the first half of the 1990s. Many of them turned legal, very few remained illegal. With the introduction of the VAT in the second half of the 1990s, and with the increase of inspections on the labour market, many businesses passed into legality as well; others have closed down. The second wave of registration of businesses took place from 1998 until 2002.

In the eastern part of the country, the peasant economy keeps many informal characteristics.

Shaping factors

The possibility to start one's own business combined with a big supply of potential entrepreneurs led to the growth of small, often semi-legal, businesses. This supply consisted of unemployed (high unemployment rate in the early and mid 1990s) and young retired people (several state jobs retired at 45 and in times of transition many workers were laid off through pension schemes from the age of 50). Other reasons were:

- The relatively high costs of labour in legal segments of employment (47 % of income is diverted to social, health and pension funds).

⁵¹ Source: the figure 17 % has been mentioned by Mr. Omerzu, state secretary, in 2003.

- Long and complicated employment procedures (in particular for foreign labour), complex and long procedures to gain permissions in construction.
- An inadequate information system and the low number of inspection institutions/qualified inspectors.
- The slow judicial system and inadequate system for collecting penalty fees.

Policy

Since 1996, the Slovenian government has delivered a coherent package of policy measures to fight undeclared work. A special *Committee for the Exposure of Undeclared Work* has been established. The current list of the committee policy measures against undeclared work covers a broad spectrum, intended to both discourage undeclared work and encourage formal work. The majority of measures are centralised and have a nation-state character. The Ministry of Work, Family and Social Affairs and the Inland Revenue Service are combining their efforts to stimulate transition from the informal to the formal economy. Proposed measures include tax incentives on labour cost and changes in labour legislation. The parliament passed a law on undeclared work (*“Law on prevention of black labour and employment”*) in 2000. Since then, measures have been taken against 1,350 subjects (in 2002: 847): 35 % due to illegal work of the firm, 29 % due to the employment of illegal workers and 36 % due to avoiding registration/evidence.

For job-seekers unemployed longer than three months, the government started a programme in 2000 offering them one-year jobs on minimum wage pay in the public sector, like education and health.

Additional employment?

The government policy mentioned above led to the surfacing of many undeclared activities. Still, informality persists, especially in rural areas. A complicating factor is the regular influx of workers from former Yugoslavian republics into agriculture and the glass/crystal industry.

5.1.9 Romania

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁵²	21	2000
Dynamics of undeclared work	Increasing	
Population (in 1,000)	22,408	2001
GDP per capita (€)	5,560	2001
Unemployment	8 %, stable	2002
Tax: personal, corporate (%)	25; 19	2003
Foreign Direct Investment (%GDP)	31 %	2003

Characteristics

Undeclared work in Romania is partly a survival strategy. During the period of transition, there was a sharp rise of unemployment due to the closing of big industrial plants, mainly in urban areas. As a result, there was a shift towards rural work that, in turn, was often undeclared. Outside agriculture, there is also a vast informal economy. Undeclared work can be found particularly in sectors like construction, trade, household services, car repair and in catering.

Like in other former socialist countries, the phenomenon of formal jobs that are partly paid in “cash” is also widespread in Romania. On the other hand, certain undeclared activities are still linked to privileged positions in society, like it used to be in the socialist period.

Shaping factors

The socialist system was strongly centralised, with a low degree of personal freedom, including freedom of employment and private economic activities. Imprisonment was the legal sanction for jobless people. Undeclared, informal work was generally performed using equipment and tools available in formal employment, either during or after normal working hours. It was at a relatively small scale (10 % in 1985) and not only for cash, but also to serve an informal network (high-ranking personnel).

A good job or a promotion was strongly related to the membership of the party, but also to bribery or an informal network. This is why good jobs were not listed to the public but were “given” to someone. The dismantling of the socialist system also meant the dismantling of national authorities, e.g. police or judicial structures. Every institution had to be “reinvented”. The transitional path was not a smooth and gradual one, but rather *ad hoc*. As a result of this *ad hoc* transition, social and

economic performance went down: production was unstable, growth was generally very low, the business environment hostile, the privatisation process slow, foreign direct investments low, corruption skyrocketed, net employment creation was negative in nearly all industries (1995 – 2000), and poverty flourished. This was favourable soil for undeclared work.

The Romanian informal economy combines extreme poverty with high-ranking officials who run private firms and deliberately avoid paying taxes and social insurance contributions for workers.

Policy

The most important policy that influences undeclared work are measures aimed at regulating the labour market. These include measures that force employers to report vacancies to the employment agencies, measures to improve working contacts (they have to be written down) and measures to regulate domestic work and several control measures. Action was also taken to facilitate the creation of new enterprises (cheap loans) and employing the unemployed (wage subsidies).

Additional employment?

A major part of undeclared work is in the agricultural sector, and is part of a survival strategy. When the economy picks up, these activities will most likely disappear. This means that maybe around 20 % of all undeclared activities can be “whitened”.

⁵² Source: National Institute of Statistics. Combining various methods (e.g. labour demand surveys and household surveys).

5.1.10 Bulgaria

Key data:

	Volume	Year
Size of undeclared work (% GDP) ⁵³	22-30	2002/3
Dynamics of undeclared work	Increasing	
Population (in 1,000)	7,910	2001
GDP per capita (€) ⁵⁴	2,089	2002
Unemployment	18.6 %, stable	2002
Tax: personal, corporate (%)	18-29; 23.5	2003
Foreign Direct Investment (% GDP)	6	2002

Characteristics

Undeclared work is widespread in Bulgaria. It is called the Grey economy, and is concentrated to trade and services. In trade, there are several links to illegal activities like illegal imports of cigarettes and liquor. Up to 30 % of all companies in production, distribution and services are estimated to be completely “grey” (invisible), with most of the rest being “periodically or partially grey” (i.e. hiding from the government some of their activities all of the time, or all of their activities for some of the time). In addition to the grey economy, there is a large household economy-sector (see Dainov 2002).

Shaping factors

Most agree that “grey” activities are culturally based on the fact that during the last decade of communism, the regime allowed informal production of goods and services – which resulted in a popular belief that this was the way “capitalism” was supposed to work. The role of the state does not seem to have been a positive one:

- Heavy taxation on labour: in 2003 a monthly wage of 1,000 leva would lose 55.5 % in tax.
- Regulations: to produce cheese for example, one needs, among other documents, seven identical certificates of quality from seven different government departments, while to open any business one needs around 40 pieces of official paper and an average of 24 days to pass through all registration formalities.
- Control: in 1990 there were 39 licensing regimes in business, compared to some 360 in 2002, with more than two-thirds of such regimes being introduced not in legislation, but in

⁵³ 22 % (2003) was measured by the National Statistical Institute and is not regarded as very reliable by the experts. The Institute for Market Economy measured 30 % of GDP (2002) through combining various methods (e.g. labour force surveys, business surveys, household surveys)

⁵⁴ Source: Bulgaria Statistics

sub-legislative (ministerial) documents; the legislative framework for doing business has been changed 198 times over the period 1991-2000.

Policy

Since 2000, employer-centred policy has concentrated on finding ways to enforce formality. In 2000, the obligatory issuance of fiscal receipts for all transactions was introduced, as was the obligation on companies to conduct payments via banks (rather than cash) and register under VAT. Since 2001, the gradual easing of credit regulations has intended to draw companies into credit and out of informality. Since January 2003, the government has implemented a policy mix targeted specifically on legalising employment by:

- Raising the legal minimum wage (on the basis of which insurance is calculated) for the main categories of employment.
- Enforcing obligatory registration of all work contracts with the National Insurance Institute.

Policies aimed at establishing frameworks of simple but enforced “rules of the game” as conditions encouraging legality are seen as successful. The following are considered unsuccessful: privilege policies, such as tax cuts for businesses in areas of high unemployment; subsidies; constitution of “business incubators”, “economic areas” and so forth. These kind of measures reinforce the motivation to seek privileges rather than market efficiency.

Additional employment?

As a result of the policy measures mentioned above, the government reports 290,000 new work contracts surfacing in the first quarter of 2003. Of these, 57,000 are under the state’s temporary employment programmes. Estimates by all independent analysts produce a figure of “really new” work contracts (i.e. the appearance of contracts where there had been employment, but no contract) of 93,000 – one-third of the government’s figure. The figure may be smaller, because some of these new work contracts may not be previously invisible employment, but the transfer from secondary to primary work contract (30 per cent of all measurable employment in Bulgaria is under secondary contracts); but a sudden two per cent drop in registered unemployment at the same time is taken as an indicator that indeed most of these jobs are existing unregulated work surfacing into legality.

5.1.11 Cyprus and Malta

Key data Cyprus:

	Volume	Year
Size of undeclared work (% GDP) ⁵⁵	4.2	2003
Dynamics of undeclared work	Unknown	
Population (in 1,000)	762	2001
GDP per capita (€)	17,180	2001
Unemployment	5.3 %	2002
Tax: personal, corporate (%)	24; unknown	2003
Foreign Direct Investment (% GDP)	Unknown	2002

Very little is known about the Cypriot situation regarding undeclared work. Reports or articles concerning the Cypriot specific aspects of undeclared work, e.g. characteristics and shaping factors, have not been found.

Key data Malta:

	Volume	Year
Size undeclared work as % GDP	Unknown	
Dynamics of undeclared work	Unknown	
Population (in 1,000)	316	2001
GDP per capita (€)	23.138	2001
Unemployment	7,5 %	2002
Tax: personal, corporate (%)	31; unknown	2003
Foreign Direct Investment (% GDP)	Unknown	

No data have been found regarding estimates of undeclared work in Malta. Some news articles mention the widespread evasion of income taxes, though concrete evidence of the extent of this is yet to be found.

A report⁵⁶ on the underground economy of Malta, though using the MIMIC method of Prof. Schneider – regarded as unreliable – to estimate the volume of undeclared work, mentioned mainly two shaping factors:

⁵⁵ Source: estimate of the informal economy by Greek Cypriot Administration, article www.trncinfo.com, 22nd October 2003. Additional own calculations based on Eurostat info on GDP per capita.

⁵⁶ Cassar, A. (2001) An index of the underground economy in Malta, Bank of Valletta Review, No 23

- Cultural lack of confidence in the government, based partly on a history of foreign occupations and the existence of a large and centrally led public sector that formed a barrier to a free entrepreneurial market, and partly on perceived unclear governance.
- The strong family culture, in which a wide range of means for improving the well-being of one's family is justified. Earning undeclared wages is one of them.

5.2 Undeclared work in central and Eastern Europe

This comprehensive study is based on 10 national reports, prepared in 2003 by experts from the EU new Member States and candidate countries of central and eastern Europe (CEE). These reports are summarized in the previous section. Section 5.2 contains quotations, figures and facts from the reports (without reference) and in places reflects the personal opinions of the experts (with reference to it).

5.2.1 Undeclared work under socialism

Undeclared work is not a new phenomenon for the post-socialist countries. In most of them, it existed under the centralised economy as well, although its proportion of the overall economy varied. To a large extent, the extent of undeclared work in the socialist period depended upon the tolerance of people and government. Many forms of undeclared, unregistered labour were considered normal, i.e. within the social norms; authorities did not even attempt to register them (especially the cultivating and selling of agricultural products, doing small repair jobs for money, "helping" in construction of country houses etc.). Some activities were nevertheless more perceived as really informal ("moonlighting", unregistered medical services, tuition of future students). In the context of the non-flexible centralised economy and the deficiency of services, they were justified as unavoidable and even useful (in the capitalist economies these niches are often occupied by small enterprises and individual entrepreneurs). Penalties, upon discovery, used to be not very stiff.

At the same time, while central planning and suppressed business activities were common elements of all socialist economies, there were clear differences between regimes in their attitude towards undeclared work. In Czechoslovakia, for example, legislation regarding private business was rather strict, and penalties were high. As a result, undeclared work in socialist times was rather small (e.g. in Slovakia, it was not more than 3-5 % of GDP). On the contrary, the regimes in Poland and Hungary tolerated a private sector, which was legal. This supported the already long-existing tradition of private entrepreneurship. In Hungary, the so-called second economy reached 13 % of GDP in 1980 and 16 % in 1989⁵⁷.

57 Strictly speaking, the Hungarian "second economy" is not the same as informal economy. It was considered to be an alternative to the "first" (state) economy and included both informal activities and the legal private sector.

However, one should beware of too much precision in these assessments. Even in countries where the size of undeclared work under socialism was unimportant as compared to current levels, it did exist, concentrated to certain sectors, like domestic services or construction. This provides a basis, also for the experts from these countries, to say that under socialism practices of undeclared work became widespread and an integral part of the economic culture.

In any case, it is quite clear that after a decade of reforms, undeclared work in central and Eastern Europe still carries the imprint of the socialist era. It was facilitated and encouraged by the instability of the years of transformation.

5.2.2 The volume of undeclared work and its dynamics

For each of the CEE countries, there exist different estimates of the size of undeclared work, based on different methods. Sometimes they vary rather strongly. *The range of estimates is much wider in countries with a higher level of informal economy*, where the state does not have a clear picture what is going on in this sector and cannot provide proper statistics. In such cases, international organizations build their estimates on indirect indicators.

Under the circumstances, it is generally better to use a range of estimates rather than choose one “proper” figure for each case. The disadvantage of this is that it makes classifications less clear-cut. In addition, the current transitional situation changes rather quickly, and one should not expect stability in figures over time. This does not preclude the existence of rather clear categories of countries that show different levels and rates in the size of their informal economies.

If we look at the scale and dynamics of undeclared work in CEE, we may clearly identify three groups of countries.

- 1) Countries where the share of undeclared work is relatively low (about 8-13 % of GDP) and decreasing.

This group includes Czech Republic, Estonia and Slovakia. In the latter, the size of undeclared work has stabilized and started declining fairly recently, while in Czech Republic and Estonia, it has been decreasing since the mid-1990s. These are countries where, comparatively speaking, the social and economic basis for informality has never been strong, and current governments have a better chance of success in combating it (more trust in the state, higher civic conscience, better functioning legal systems).

- 2) Countries with a medium level of undeclared work (14-23 %), which is generally decreasing since the mid-1990s.

This group includes Poland, Slovenia, Hungary, Lithuania and Latvia⁵⁸. The first three countries are known for having a long and deep-rooted tradition of an informal economy. Latvia and Lithuania are post-Soviet countries which, as a result, were slower in implementing reforms than many of their central and eastern European neighbours, have a more deep-rooted Soviet-type bureaucracy and a more backwards economic structure.

- 3) Countries with a high and still increasing share of undeclared work (given by national statistical offices as 21-22 %, but estimated by national experts and international organizations to be 30-37 %).

This group includes Bulgaria and Romania, where undeclared work has a long tradition and the state is still too weak (or unwilling) to combat it.

All the transitional economies have, in the early 1990s, experienced economic recession, which in CEE was followed by a steady recovery (unlike most of the post-Soviet states to the east). As a result, the initial increase of undeclared work was followed by its stabilization and subsequent decline. In most of the new Member States to the EU, the volume of undeclared work is declining since the mid-1990s, with a couple of years' delay from the turning point in economic trends. There are several countries where, according to the data of national experts, that decline started only very recently (Latvia, Slovakia). In Poland, after falling since 1995, in the last two years the share of undeclared work/informal economy shows signs of increase due to significant growth of unemployment.

5.2.3 Characteristics of undeclared work

Most of the undeclared work in the post-socialist countries is concentrated to the same sectors as in the EU in general. The difference is in the relative share of these sectors, and in the processes driving their development.

As for *sectors*, practically all of the experts mention the following:

- Agriculture
- Construction
- Social and personal services (household help, childcare, tailoring, repair business)
- Hotel and restaurant business
- Retailing

Among the less mentioned sectors are:

- Tourism and recreation (including coaching in sports)
- Renting out apartments

⁵⁸ The Latvian experts have doubts about official figures of the size of the informal economy, given by the National Statistical Office (18 % in 2000) and Ministry of Finance (23.2 % in 2001), and are more inclined to accept a higher figure.

- Car dealership
- Manufacturing (especially textile and leather industries)

These are sectors with a high share of low-paid jobs and a high demand of unskilled labour, and which are often of seasonal character.

The upper segments of the labour market are also involved in undeclared work. The more popular forms are:

- Providing medical services
- Private tutoring
- Mediation in real estate transactions
- Business services (accounting and bookkeeping, software programming, project preparation)

Business services are generally less common than medical or educational services, but still detected as a form of undeclared activity in several countries and mentioned as relatively important for Slovakia and Slovenia.

If agriculture, construction and personal services seem to be classical sectors for undeclared work within the EU, *the importance of retailing and hotel/restaurant business in the CEE countries* is an interesting phenomenon. It can apparently be explained as one of the characteristics of transitional economies, where the service sector have been long relatively underdeveloped, which caused its booming growth in the 1990s, most of it concentrated to the small-business sector (which in turn, was also very weak). Little experience with SMEs in the post-socialist countries and a legal business environment still not properly launched has bred a lot of undeclared work in these sectors. It was quite common in the early 1990s for the initial wave of unregulated commerce (street trade, open markets, kiosks) to take formal shape only several years later, and not all of it is under control yet. It thus seems likely that the importance of this sector in undeclared work will also decrease after the stabilization of the legal business environment in CEE, which will thus approach the general EU pattern.

Undeclared work in *agriculture* also takes on different forms in the CEE countries as compared to the EU. On the one hand, it is present in one way or another in all of the national reports. On the other hand, experts from countries with a large GDP share of agriculture (like Bulgaria or Romania, with 14-15 %, and to some extent the Baltic states, with 5-8 %) surprisingly do not put it on the top of the list of sectors with a high degree of informality. Here, household-centred production and services are seen as part of a tradition, and people involved in it are often not considered to be major participants in undeclared work. In Bulgaria, for instance, a clear division is made between the notion of “informal economy”, which is used specifically for the above-mentioned household production, and “grey economy”, which is based on division of labour and access to the market. In

Bulgaria, Romania and some Baltic states, large parts of agriculture simply exist outside any market system because of the small-scale and often primitively organized mode of production⁵⁹, and rather represent a sort of survival strategy.

In Romania, for example, job reduction in urban areas resulted in a shift towards rural work. Agricultural employment went up from 28.6% in 1989 to 41% in 2000, acting as a safety net. Many farmers are not officially registered, and it is estimated that more than half of them are using undeclared work for seasonal jobs. In such cases, the agricultural informal economy is probably under-reported and interpreted only with difficulty.

This sort of primitive subsistence economy with unregistered agricultural employment is in fact a pre-capitalist (or pre-communist) phenomenon, which hardly exists in the EU15. It can be considered one of the characteristics of the CEE new Member States and candidate countries, which are thus able to re-introduce certain elements of developing economies by entering the EU.

Agriculture being an important sector for undeclared work is particularly notable in countries where this sector is relatively small (3-4 %) but more commercialised and important for the national economy (Hungary, Poland, Slovenia). It should, however, be added that the Slovenian expert in connection with this also points to the problem of distinguishing between production for own consumption and for commercial purposes within the undeclared work in agriculture.

The relatively high importance of *professional services* is another characteristic trait of the CEE countries. To a certain extent, it can be explained by the ease with which taxes can be evaded by those who provide professional services and those who pay for them. Besides, in many of the CEE countries, as a result of dynamic economic restructuring, demand for these services is higher than the official economy can offer. The niche exists but is not fully occupied. This makes individuals and enterprises go informal as long as legal forms for these activities are still not stable. It also explains why professional services altogether seem to be more important in the “medium” group of countries than in more advanced (high demand and more regulated forms of labour) or less advanced (still low demand) countries.

Manufacturing (mostly textile and leather industries) is not on the list of priority sectors for the undeclared work in CEE on the whole, although it is mentioned on occasion. This can be explained by the still relatively low labour costs, which can compete with production from the developing world, while in Western Europe only undeclared work can produce goods with competitive prices.

The participants in undeclared work are from practically all groups of the population:

- Jobholders
- The unemployed

⁵⁹ In Latvia, for instance, there are more than 60,000 semi-subsistence farms that produce little for the market.

- The self-employed
- Students
- Pensioners
- Illegal immigrants

Two things have to be mentioned as being particular for CEE: a high presence of pensioners among the participants in undeclared work and higher representation of well-educated people.

The high presence of *pensioners* is explained by the types of social provisions in each CEE country, which create an extra pool of participants for undeclared work. In most cases, pensions are very small, and those able to work willingly look for extra income – to a large extent in undeclared work. In some of the CEE countries, there are pension schemes that release a large amount of free labour which is in still active age. This is very pronounced in Slovenia, where, for political reasons, in certain segments of labour (police, army, secret services) retirement was granted to all people over 45. Workers in declining industries (metallurgy etc.), who lost their jobs at the time of the reforms and reached the age of 50, could also apply for an early, reduced pension. Besides this, the new national retirement plan, introduced in 1998, had touched some other labour segments; for instance university professors, many of which had to leave their jobs for less than a full pension if they were over 60. As a result, about 37 % of all the retired people in Slovenia are now under the age of 60.

A higher representation of *educated people* on the market of undeclared work in CEE is mostly connected with the speedy economic restructuring and market reforms, which cause all sorts of disproportions in the labour market. As a result, along with low-educated people, there is also quite a cohort of well-educated people that take on low-paid jobs as a supplement to the low salaries in their main place of work, or to the social security payment if they are unemployed. There are also some categories of employees (mostly women), who consciously downgrade their social status and prefer a higher-paid job with lower-status over the lower-paid sectors of intellectual work (mostly not privatised state-owned enterprises and institutions).

Foreign labour is a traditional source of undeclared work, not only in CEE but in the Western countries as well. It is used particularly often in agriculture and construction. The difference is that many of the CEE countries act as both recipients and suppliers of foreign labour. Classical examples of net recipient countries are Hungary and Slovenia. Among those mainly providing labour are Baltic countries, Slovakia, and Romania. In fact, it is more realistic to speak about a chain migration of labour from the East to the West, where immigrants from the less-developed neighbouring post-Soviet states come to work (often illegally or informally) in CEE, while labour migrants from the less-developed CEE countries look for jobs in the more developed of them or in the neighbouring western European countries (Austria, Germany, Italy, Greece).

The gender dimension of undeclared work in CEE is more or less similar, without much difference among countries. On average, more men than women do undeclared work, with men working mainly in construction, agriculture, forestry and fishing and transportation; and women working mainly in services, including medical services and education, along with some manufacturing industries, like textile and leather products.

The lower participation of women in undeclared work in CEE is explained by some experts (e.g. Hungarian ones see also chapter 7) by the traditional division of tasks within the family, where a man is considered to be the main earner and a woman is supposed to run the family, often including cultivating an extended private garden. This puts more restrictions on women in taking second jobs and provides some secure background if the man of the house loses his main job (by turning to a subsistence mode of existence including “barter” exchange of food and services with the neighbours etc.).

Women participating in undeclared work generally have a higher level of education than their male counterparts, and it is more common for them to take jobs with a lower status than their education permits. At the same time, as participation in undeclared work tends to fluctuate, the female share drops when the level of undeclared work reaches its maximum, and grows when this level declines. This can be explained by a higher long-term unemployment rate among women, unfavourable employment regulation for female employees or the fact that in better times new jobs to a higher degree appear in sectors with mostly male occupants.

The following ***forms of undeclared work*** are mentioned as the most common ones for the CEE countries:

- 1) *Undeclared work within registered enterprises (so-called linked undeclared activities), beneficial for both employer and employees*
 - Employing labour force without contracts
 - Underreporting part of the income (“envelope wages”, untaxed parallel jobs)
 - Employing in an irregular way unemployed persons and other persons drawing social benefits
 - Getting profit from unregistered activities without having a license or permit
 - Unlawful employment of foreign labour

- 2) *Undeclared work related to registered enterprises (semi-autonomous undeclared activities)*
 - Providing services to registered enterprises by using undeclared work (by other registered or unregistered enterprises and by individuals)
 - Providing services to registered enterprises by running unregistered activities (esp. by self-employed) without having license or permits

3) *Undeclared work directly for the consumer (autonomous undeclared work), like baby-sitting, doing odd jobs, tutoring etc.*

4) *Running a weakly commercialised or non-market household production and services*

Most of the above mentioned forms of undeclared work are more or less universal, common to both western European and CEE countries. The difference is more in the scale of these activities and in the proportions of different types of undeclared work among them. For instance, the semi-autonomous activities in the CEE countries are mostly shaped as SMEs, working without licence or permits and providing services to the registered enterprises.

Nevertheless, there is one phenomenon which deserves special attention: so-called *envelope wages*, where only the minimum wage is officially declared and an additional part is paid as cash in an envelope (see “underreporting part of the income”). This form of undeclared work exists in practically all of the CEE countries, but seems to be most common in countries with a lower level of economic development and which are at an earlier phase of transition. For instance, in the Czech Republic or Estonia, where the legal culture is developing rather quickly, envelope wages remain only in certain economic sectors (hotel, restaurants, small retail trade) and their use is declining.

In Estonia, “envelope wages” were quite common in the beginning of transition, but due to the personal social tax record and pension reforms introduced later, employees started to become more interested in recording their incomes, which limited the use of such extra payments. In countries with a lower GDP per capita and less developed business culture, envelope wages seem to be more popular, as it is one of the easiest ways to avoid taxes. In Latvia, underreporting (not non-reporting!) of income dominates all other forms of undeclared work, which is, according to the national experts, the main reason of unreliability for all methods used to make assessments of undeclared work in this country. In Bulgaria and Romania, it is also a well-known practice used in all sectors of the economy.

The use of “envelope wages” can also be interpreted as a “soft” way of differentiating between employees, and even getting rid of some of them when there are no legal ways to do it. The problem is that in socialist times, labour legislation was very inflexible. It was difficult to fire people, even if they didn’t fit their jobs. During the transitional period, differentiating incomes through “envelope wages” in some sectors (for instance, research or education) became a sort of selection: someone who was left with only the minimum wage and was not required for extra projects could not survive financially, and had to look for opportunities in other sectors.

One of the important characteristics of undeclared work in the CEE new Member States and candidate countries is its *interconnection with legal business*. Small registered businesses, even if they themselves “play white”, often have subcontractors from the informal part of the economy.

That is why, in many cases, there is a fear that suppressing undeclared work may have a negative impact on private business in general. In a different way, in some countries this also applies to large (many of them still state-owned) enterprises, which pay envelope wages. For many of them, this is a survival strategy, seen as a temporary arrangement during the time of unstable transition, which helps them retain well-trained personnel.

Corruption is emphasized by several experts (Bulgaria, Romania, Lithuania) as an important barrier on the way to democratic reforms and a factor that facilitates the functioning of a sizable volume of undeclared work.

Geographically, undeclared work and informal economy are in practically all of the CEE countries concentrated to *three types of regions*, mentioned by almost every expert:

- 1) Capital city regions
- 2) Underdeveloped rural areas, many of them border regions
- 3) Durably depressed areas and small towns and villages suffering de-industrialization and relapsing into self-sufficiency

There is an overall reference to the correlation between undeclared work and small business, which is especially pronounced in the big cities. On the other hand, boundary regions also carry a big potential for informality, mainly due to the availability of cheap illegal labour (border with the post-Soviet states), the development of smuggling-related activities (e.g. Bulgarian borders with Greece and Turkey) and traditionally higher unemployment rate and low economic dynamics in the periphery.

5.2.4 Factors shaping undeclared work in CEE

Factors explaining the existence and development of undeclared work in the CEE countries may be subdivided into three major groups, comparable to the shaping factors in the EU15 discussed in chapter 4:

- 1) *Socio-economic/market factors*, reflecting the current socio-economic trends and structure of national economy
- 2) *Institutional factors*, understood as a complex of regulations, providing the better functioning of political and economic system
- 3) *"Societal" factors*, which means all sorts of civic response to the political and economic system, including cultural traditions and relationship between individual, society and state⁶⁰

It is quite common, both by the Western side and by East Europeans themselves, to overestimate institutional factors as a root cause of undeclared work. At the same time, the "societal" factor,

⁶⁰ In chapter 4 groups 2 and 3 were combined to "institutional factors". For the analysis of the situation in the CEE countries we prefer to distinguish two subgroups.

which is especially important for this historically fragmented territory, is clearly underestimated. The question is not only one of the tolerance towards undeclared work, which in some cases becomes almost an accepted and approved social practice, but also one of the willingness of the society and its individuals to cooperate with the state in its efforts to secure the economic and social fundamentals of a new market system.

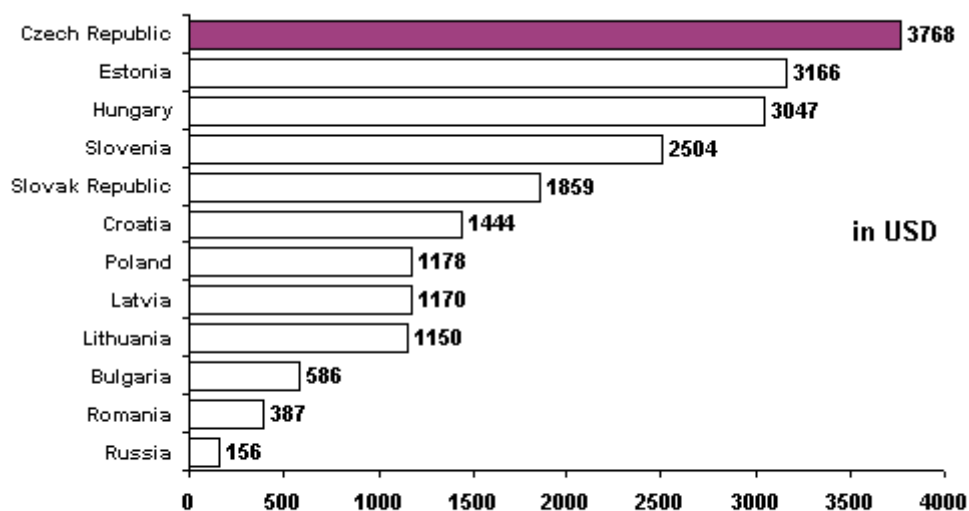
Socio-economic factors, generally mentioned less than institutional and “societal” ones, include:

- Rapid structural change, which causes deformations on the labour market and creates niches for undeclared work
- Unemployment, which is mentioned as an important factor both for countries with high (Poland, Slovakia with 18-20 %) and low (Slovenia, Czech Republic and Hungary, with 6-10 %) levels of unemployment, creating a supply of cheap labour
- High share of public sector (Poland)
- On-going privatisation and restructuring of public enterprises
- Socio-demographic characteristics, like the demographic explosion in Poland or an army of young pensioners in Slovenia (supply of labour)
- Poverty (surprisingly described as a factor both for Slovenia, which has the highest average level of GDP per capita among all the new, and for Romania, at the bottom of the list)

A powerful factor “moderating” undeclared work in CEE countries appears to be *the presence of foreign capital*. This factor is mentioned explicitly by the Estonian, Hungarian and Bulgarian experts (note that all three types of countries are represented among them) but definitely works in the same way in other countries. Most foreign companies try to avoid undeclared work, which means that the proportion of undeclared work is relatively low in sectors preferred by foreign capital, such as financial services, communications and processing industry, whereas it is much higher in sectors dominated by domestic private capital (agriculture, construction, services).

Figure 5.1 shows a clear inverse correlation between the level of FDI per capita and the level of undeclared work: the Czech Republic and Estonia are leading and Bulgaria and Romania closing the list of rankings in FDI per capita, while the informal economy list is exactly the opposite.

Figure 5.1 FDI stock per capita in central and eastern Europe



Source: *The Vienna Institute for Comparative Economic Studies, July 2003*

Institutional factors are the most important factors explaining undeclared work in CEE. Among the most frequently mentioned are:

- A high tax burden and high social contributions payments (by all the EU new Member States and candidate countries)
- Underdeveloped institutional infrastructure (too complicated and unstable legal system, weak financial sectors, low level of tax control, inadequate number of custom offices, inflexible employment regulations)
- Over-regulation and bureaucracy (complicated registration and accounting rules, costly licensing system, complicated customs procedure, impeding the entrepreneurial activity)
- The strength or weakness of the state and public administration and their stability
- Interference of the state into private business

Occasionally mentioned are such factors as:

- The pressure of high inter-firm labour force mobility on wage levels, when firms, not evading taxes would have to incur much higher labour costs to ensure the same post-tax wages (Latvia)
- Opening borders, which stimulated many illegal and informal activities (Poland)
- A framework of social policy, continued tolerance and listlessness towards the black and undeclared work (Slovakia)

The “*societal*” factors can be subdivided into those related to recent socialist times and those reflecting long-term cultural traditions.

The *legacy of socialism* is mentioned by practically all of the experts, albeit phrased in different ways; from a quiet phrasing such as “attitudes, inherited from socialist economy” (Estonia) to the more dramatic “history of fighting foreign authorities” (Poland). The most essential elements of the socialist economic culture are described as:

- A negative perception of the role of the state (which takes much but gives little in return)
- Opposition to all sorts of official institutions and established norms
- Lack of trust in public institutions
- Lack of understanding of the linkages between paid taxes and received social services
- An egalitarian way of thinking: negativism towards any disproportions in income, especially between private and public sector, as well as to all sorts of social inequalities
- The underestimation of the postponed benefits from social security as compared to the benefits of today, provided through undeclared work
- The idea of a priority of producer over consumer, inherited from the “shortage economy” (e.g. a service is valuable as such, and the consumer of that service should be thankful to its provider) and, as a result, limited understanding and practice of consumer protection
- Primitive understanding of capitalism as being driven by “the law of the jungle”, where any way of getting an income is justified

An important part of the legacy of pre-socialist and socialist times is the inherited administrative culture, which is more pronounced in the less advanced among the new Member States and candidate countries.

The Bulgarian expert writes the following about the role of the state: “Rather than seeing itself as the upholder of impersonal rules and the provider of services to citizens, administration (and administrators) sees itself as a corporate interest dominating over the citizens and the marketplace, and as a personalized (in its bureaucrats) ‘power’ over the non-administrators. This has as a result a constant drive for more (and more detailed) regulation and interference, as well as a tendency to change the rules (or their implementation) according to circumstances and desired results. The result is an unsystematic tangle of regulations, great individual discretion in implementing rules and provisions, a drive to dominate and ‘order around’, and a penchant to corruption. Rather than seeing its primary function as the (accountable) production and enforcement of impersonal rules, the state sees itself as a *provider* (distributor) of resources, *controller* of citizens’ activities and *protector* of classes of citizens against the unbridled work of market forces”.

As in the case of administrative practices, the traditions of undeclared work stretch back not only to socialist, but certainly also to *pre-socialist times*. Among the long-term historical factors that support this pre-socialist tradition are:

- A peasant tradition, especially in the countries where small-scale farming is still important (e.g. Poland or Slovenia); here, experts speak about the long-lasting character of undeclared work; in these economic environments, informal work-sharing habits are part of the way of life
- Cultural roots going back to imperial history, to the boundaries of European Empires, as most of the CEE countries have been part of them; there may be links with the dominating religious background, having an impact on the fundamentals of the civic and political culture; in these cultures (for instance, by the orthodox Christians) an aloofness of the prescriptions of central government was a natural part of the way of life
- The lack of experience of democracy before socialism (countries with weak pre-communist democratic and civic traditions have more informal economy than those, which experienced decades of development within independent bourgeois republics, compare e.g. Bulgaria and Czech Republic)

It is interesting that particularly the experts of the two southern countries, Bulgaria and Romania, seem to look for the roots of undeclared work in the national culture of the pre-communist era, emphasizing the importance of informal networks, patronage and privileged position needed for getting a good job, promotion or the running of a successful business. This pattern encompasses elements from within the structure of governance and society at large: it is based on the ways in which government and society are intertwined. Many of the resulting attitudes seem to still be very stable: efficient business behaviour is understood rather as looking for sufficient patronage from the government than playing by the rules of the market. That is why in Bulgaria, for instance, the “grey economy” looks like the continuation of a once-universal phenomenon, rather than a new phenomenon in itself.

This brings us to the idea of a general Southern phenomenon, common to both Western and Eastern Europe, where the well-known North-South gradient is reflected in the character of undeclared work, too. Figures show that in the south of Europe, the scale of informal economy tends to be larger and its traditions more deeply rooted.

A crucial element in regulating and controlling undeclared work is the *strength of the state*. Strength in this context should not be interpreted as heavy handedness, but as the capability to induce and regulate social change effectively and efficiently. A varying strength in this sense accounts for differences in introducing new institutional settings, but it cannot manipulate the “societal” factor on its own. In order to achieve this, independent contributions from society are indispensable.

Strong political leadership and the credibility of politicians are seen as important factors of successful economic policy. A positive example is Estonia, which managed to avoid deep political crises that could have damaged the credibility of the political system and politicians at the stage and thus could have undermined the reliability of the legal system and other regulating bodies. On the contrary, weak political leadership is not able to provide a proper institutional environment for market reforms and democratic transformation, and can not combat undeclared work either (see the cases of Bulgaria and Romania). Governments that are institutionally weak often cannot go against wider elite groups in society. As a result, they establish a non-written mutual agreement on non-aggression, despite the noise made by the mass media. As in western European countries there are all sorts of corporatist arrangements that establish links between representatives of employers, trade unions and governments. But it is very difficult to find more or less permanent, reliable divisions of labour between such arrangements that can set up sustainable regulatory environments for markets to work and a large market area where actors can organize exchanges under more or less stable conditions. Very often, they deteriorate into protection rackets for national economic actors or leave governments at the mercy of powerful social interests.

In this context, for the European Union, expecting new Members to meet well-established common requirements, it is important to consider not only the rhetorical willingness but also the readiness and capability of the new entrant countries and their governments to cope with undeclared work. This is the art of distinguishing between propaganda made in connection with the EU integration and the real possibility of national governments to control the situation.

Institutional (and partly economic) factors rather define the *short-term* developments of undeclared work: some successfully implemented measures can change the business environment and thus somewhat limit the extent of undeclared work.

The legacy of the socialist administrative and economic culture is more difficult to combat but these attitudes also change, depending upon the speed and efficiency of economic reforms. They may be described as *medium-term* factors. Together with the institutional factors, they can be considered part of the transition and therefore of a temporary character.

The most stable are the historical factors, connected with cultural traditions. These are the *long-term* factors, which will hardly disappear in the foreseeable future. Generally, in these countries there are grounds for a sustained presence of features of an informal economy, but they are stronger in some countries than in others.

Thus, *the stability of undeclared work* in CEE to a large extent depends upon the “weight” of “societal” (cultural) factors and the strength of the state and other democratic institutions. Practically all of the national experts mentioned all types of factors, although the stability of undeclared work in the foreseeable future was evaluated differently. All of the experts were asked if

they considered undeclared work in their countries to be a temporary phenomenon that was part of the current transition, or a long-lasting phenomenon with deeper roots. About half of them consider it long-lasting. It is symptomatic that such answers are motivated mainly by cultural reasons and come either from countries with a long “peasant tradition” (Poland, Hungary, Slovenia), or from southern countries with elements of a culture of patronage (Bulgaria, Romania). This point of view is well illustrated by the Polish experts, who wrote that in their country, undeclared work would exist even if there were no taxes.

5.2.5 Policies to combat undeclared work

In order to evaluate current policies to combat undeclared work in the CEE countries, it is important to make a clear distinction between countries that actually have such (or related) policies and those that follow a *laissez-faire approach* to this problem.

The minoritarian *laissez-faire approach* is taken by Poland, Hungary and Slovenia, which were earlier described as countries with a long history of informal economy, rooted in their rural traditions. Here, either no policy was developed for shifting unregistered work to the formal sector (Poland) or this policy exists only rhetorically and on paper, while in practice very few concrete measures have been taken (Hungary, Slovenia). This means that politics and politicians in these countries seem to accept and tolerate the present level of undeclared work without launching more serious action against it. For instance, according to our experts, Hungarian politics seems to be more in favour of a combination of “medium level unemployment plus medium level undeclared work” rather than “mass unemployment plus a low level of undeclared work”. To quote them, “the greatest success of the last 13 years is that undeclared work (in Hungary) has never reached such a level which could have caused more serious economic and social tensions in this country”.

In all three countries, there are policies and instruments, which may indirectly help to combat undeclared work (an unemployment programme in Poland, or regulations about the status of ethnic Hungarians from the neighbouring states on the Hungarian labour market). Some of these measures seem to promote a decrease of undeclared work, but many have either failed or had the opposite effect (e.g. an increase of social security contributions and a high tax burden). In Hungary, the priority of fiscal policy over labour market policy is mentioned as an important reason why undeclared work could not be seriously reduced over the last decade.

In Slovenia, the government introduced a coherent package of policies with a broad spectrum of measures to combat undeclared work directly in 1996. It contained tax incentives on labour cost, changes in labour legislation etc. But the attitude to the problem is rather relaxed, as the contribution of undeclared work to negative trends in the national economy is not clear. According to our expert, the experience of the EU15 is to a certain extent discouraging for action against undeclared work. It shows that there are certain limits for what is possible, and that no major success can be expected. The shares of undeclared work in EU15 are not much lower than those in

many of the CEE countries. Among the measures officially introduced by the Slovenian government to combat black labour and employment, repressive (or controlling) measures seem to be more efficient than stimulating or preventive ones. But in spite of stricter control, a large part of the police reports on illegal operations has not resulted in immediate responses by the judicial system.

The laissez-faire approach may be one of the reasons for uncertainties about the assessments of undeclared work and about obtaining correct estimates of its volume. If in Poland and Slovenia National Statistical Offices have very clear and straightforward definitions and estimates of the size of their informal economy, in Hungary the methods for calculating the weight of the undeclared work are still only being discussed.

The majority of the CEE new Member States and candidate countries do have *targeted policy to combat undeclared work*. Among them there are:

- Countries where such policies started in the 1990s and already showed some positive result, facilitated by a steadily improving economic situation (Estonia, Czech Republic and Slovakia)
- Countries with some record of such policy, which is not very effective yet (Latvia, Lithuania)
- Countries which started introducing this policy very recently (since 2000) and so far did not achieve much result (Bulgaria, Romania)

Everywhere, *the emphasis is on institutional measures*, like tax regulations, reduction of social security contribution, labour market regulations, better control over the market, improvement of the legal environment, simplifying the processes of business registration and licensing etc. It is basically this sort of policy measures that our experts are discussing – which of them are successful and which are not. For this group of countries (with targeted policies) “stimulating” measures aimed at the transformation of undeclared work into formal (creating better conditions for legal jobs, improving business environment) seem to be more effective than preventive or repressive ones (control and punishment). Repressive (controlling) measures seem to work better in countries with a higher civic and business culture.

The least effective policies turn out to be the privilege ones, such as creating Special Economic Zones, economic areas, business incubators, tax cuts for businesses in areas of high unemployment etc. (examples of these exist in Poland and Bulgaria).

At the same time, in several reports the experts admit that *it is the human (“societal”, cultural) factor that is working against the policies*. The Estonian expert mentions that the growing civic culture of people (people’s adjustments to state regulations through a learning process, understanding the pay-back of taxation and social security contributions, realization of their rights as consumers) has promoted the decrease of undeclared work. The Czech experts, on the contrary,

note that while the legal environment is improving, people's legal conscience is decreasing; excessive restrictions prompt opposition to the pressure. The Slovakian expert writes that tolerance of both undeclared work and misuse of the social system has been high for a long time. Meanwhile, improvements in the job market and solving unemployment was considered unrealistic, which created a "pseudo-solidarity" phenomenon, supporting undeclared work. The Lithuanian expert indicates that most policies adopted to transform undeclared work to regular employment are designed to fight the symptoms, while the root causes of undeclared work remain largely intact. People are becoming more aware of the disadvantages of undeclared work with respect to social benefits, but this knowledge is not yet sufficient to outweigh the immediate benefits of participating in undeclared work. In other words, the civic culture in this group is still deficient.

It is interesting that the importance of the human factor counteracting institutional measures is mentioned mainly by experts from countries where targeted policies not only exist but are already yielding some results. It is neither discussed by the experts from countries with a long historical tradition of an informal economy, nor by those from the southern European countries (in both groups apparently taken for granted as a stable long-term phenomenon).

The experts virtually unanimously arrived at the conclusion that one of the most important success factors in combating undeclared work is the general success and stability of economic development. This is emphasized by the more advanced of the CEE countries, where there is a direct correlation between economic progress and the decrease of undeclared work over time (Estonia, Czech Republic, Slovenia). In the less advanced countries, on the contrary, it is indicated that the lack of structural reforms (Bulgaria) or the high level of poverty (Romania) undermines the effectiveness of any employment policy. Many of the experts mention that it is difficult to find out whether certain positive or negative effects on undeclared work are caused by governmental policies or by other general economic factors. Often it is altogether impossible to distinguish between the negative impact of undeclared work on society and economic failures caused by macro-economic imbalances and poor functioning of the state. Even the decrease of undeclared work is disputed as being not the success of policy but the decline of entrepreneurship. The correlation between the volume of undeclared work and general economic performance is clearly illustrated by ranking income levels: the higher the income level, the lower the level of undeclared work (see Figure 5.1).

Among the other important background factors mentioned by our experts are the liberalization of foreign trade and integration in Western markets (Estonia with its Scandinavian connections is a good example of such success) and political stability as promoting positive developments versus corruption and "state capture" as impeding them.

5.2.6 Summary

It is tempting to look for some common logic of transformation in post-socialist countries, but it is misleading to expect that this logic would be uniquely qualified to explain the course of events.

There is *no way to make generalizations* or to draw conclusions on the basis of one or two countries. Attempts to find universal formulas for the whole group of post-socialist countries unavoidably deteriorate into abstraction and make the best intentions fail.

The analysis of the size and dynamics of undeclared work in the ten CEE new Member States and candidate countries showed that at least three groups of countries can be identified:

- 1) Those with a low and further declining level of undeclared work
- 2) Those with a medium level, which is stable or falling only recently
- 3) Those with a high and still increasing level

Table 5.1 Summary of CEE countries

	Estonia	Czech Republic	Slovakia	Poland	Lithuania	Slovenia	Hungary	Latvia	Romania	Bulgaria
Size undeclared labour (%GDP)	8-9	9-10	13-15	14	15-19	17	18	18	21	22-30
Dynamics undeclared labour	down	down since '95	stable	down since '95	down	down	down	down	up	up
Population (in 1,000)	1364	10283	5398	38638	3478	1992	10188	2355	22408	7910
GDP per capita (Euro)	9240	13700	11200	9410	8960	16210	12,25	7750	5560	2089
Unemployment (%)	9,1	7,3	19,4	20	13,1	6	5,6	12,9	8	18,6
Dynamics unemployment	stable	stable	down	growing	down	down	stable	down	stable	stable
Personal tax (%)	26	15-32	10-38	19-40	33	22	40	25	25	18-29
Corporate tax (%)	26	31	25	27	15	16	18	19	19	23,5
Foreign direct investment (%GDP)	8-10	12	28	Unknown	26	12,6	15,7	31	31	6

Most of the undeclared work and informal economy in the post-socialist countries is concentrated to the same sectors as in the EU in general. The difference is in the share of sectors and in the processes driving their development. Among the most interesting phenomena in the CEE countries the following should be mentioned:

- The importance of the retailing and hotel/restaurant sectors
- The presence of a subsistence economy with a focus on agriculture, more typical for developing countries
- The relatively high importance of professional services
- The relatively low incidence of informal economy in manufacturing

Characterising the forms of undeclared work in the CEE countries, special attention should be paid to the widespread practice of “envelope wages”, when underreporting income becomes as important as non-reporting. Corruption and interconnections with legal business are also important characteristics.

Factors explaining undeclared work in the CEE countries may be subdivided into three major groups: 1) socio-economic/market, 2) institutional and 3) ”societal”, which include cultural

traditions and the relationship between individuals, society and state. The latter may be subdivided into those related to recent socialist times and those reflecting long-term cultural traditions. The institutional (and partly the economic) factors define the short-term developments of undeclared work. The legacy of the socialist administrative and economic culture can be described as a medium-term factor. Along with institutional factors, they may be considered part of the transition and therefore of a temporary character. Historical factors connected with cultural traditions are the most stable long-term factors. The stability of undeclared work in CEE depends to a large extent upon the weight of societal (cultural) factors and the strength of the state and other democratic institutions.

Most of the CEE countries have targeted policies to combat undeclared work with the emphasis on institutional measures. But there is also a small group of countries (Poland, Hungary and Slovenia) with a long history of informal economy, which now follow the minoritarian *laissez-faire* approach. Here, the present level of undeclared work is tolerated by politics and politicians without launching more serious action against it and is seen as a measure for preventing mass unemployment and avoiding socio-economic tensions.

One of the most important success factors in combating undeclared work is the general success and stability of economic development, political stability, integration in Western markets (including the presence of foreign capital) and the liberalization of foreign trade.

Political stability, state formation and the development of democratic institutions are the crucial factors, which provide the stabilization of socio-economic situation in general. This is the first stage in combating undeclared work, especially important for the less advanced of the new Member States and candidate countries.

Only when political reforms are successful can one expect general improvement of the socio-economic sphere, rising incomes and positive developments on the labour market (the second stage). This allows measures introduced by the state to combat undeclared work to be more efficient. Foreign investments and foreign trade may have an extra positive effect on the labour market transformation, introducing more transparency in business relations and certain norms and rules, already accepted in the international economy. In this respect integration into EU may be by itself a factor promoting the decrease of the incidence of undeclared work.

Nevertheless, it is important to keep in mind the long-term impact of cultural traditions, which may keep the undeclared work at a relatively high level even in politically stable and economically successful countries.

6 Good Practices

6.1 Introduction

In Section 4, we discussed policies adopted by the EU15 Member States, partly in response to Employment Guideline no. 9 on policies combating and transforming undeclared work. In many countries, these policies were not very innovative (though maybe very effective). In several countries, however, new measures were implemented, creating institutional innovations and modernizing legal and or fiscal arrangements. In this chapter we highlight several notable new policy initiatives, to be used to transform undeclared work into formal employment.

6.2 Belgium: Local Employment Agencies and Service Vouchers

6.2.1 Local Employment Agencies

In the mid-1990s, the Local Employment Agencies (Plaatselijke Werkgelegenheidsagentschappen; PWA) were implemented in Belgium. PWAs were founded in all municipalities in Belgium.

The PWA is an agency that brings together the supply of labour of long-term unemployed and the demand for labour in the sphere of services in and around the house. Its legal form is a non-profit association, with local politicians and social partners on the executive board.

The principle is simple. Private persons, government bodies, schools and firms in the agricultural sector are allowed to buy vouchers. One voucher, with which one can pay for one hour work, costs € 7.45. When a household needs a job done, e.g. some odd jobs around the house, it makes its demand known at the PWA. The agency then searches in its files for a suitable candidate for the job. If they find one, he or she can do the job, receive the vouchers as payment and exchange the vouchers for money at the PWA. They receive an amount of € 4.10 per vouchers/hour. The difference between the “buying and selling price” of the voucher is used for overhead and insurances. The long-term unemployed who earn the money can keep the money as extra earnings alongside social benefit allowance.

Not all unemployed are entitled to work in this scheme. It is reserved for:

- Unemployed over 45 years of age and more than six months unemployed
- Unemployed under 45 years of age and longer than two years unemployed
- People with no unemployment benefit, but living on a minimum social security grant.

In practice, it turned out that mainly women were active in the PWA scheme.

The following activities could be undertaken within the boundaries of the scheme.

For private households:

- Home assistance with all kinds of household jobs
- Assistance in taking care of children and sick people
- Assistance in doing administrative jobs
- Small gardening jobs

For local governments:

- All kinds of jobs answering the needs of the local community that are not taken care of through the regular labour market. In many municipalities for example the PWA scheme was used to create “city-watches”, a uniformed service that looks after good behaviour (one could also call them assistant-policemen)

For schools and non profit associations:

- All kinds of assisting activities as long as they are not competing with regular labour.

For the Agricultural sector:

- Several activities, among others seasonal work (peak labour)

The duration of the jobs is limited to 45 hours a month.

On the website of the city of Ghent several examples can be found of PWA jobs: a sample:

“My grandparents are both pretty old. They have a house with quite a large yard. Because they could use some help in mowing the lawn and removing the weed, they knocked on the door of the PWA. Now, every three weeks someone comes to help them out. And they are very flexible. When for example my grandparents are away, they just as easy come another day”

“I and my husband both work. At best, one of us can be at home by 4.30 PM. But our children, aged 5 and 7, need to be picked up from school at 4 P.M. So now I found someone from the PWA to pick up the kids, bring them home and keep them company until I come home”

By June of 1999, a total of 120,904 unemployed were registered at the PWAs, 38,500 of which were active in PWA jobs. A little more than 80 % of these active PWA workers were women, mostly between 35 and 45 years of age. The few men that were active in PWA jobs were mostly between 45 and 55 years of age. Active PWA workers work an average of 30 hours a week. Exactly 50 % of all the unemployed in the PWA schemes were very long-term unemployed (more than 5 years unemployed). In the period 1994-1999, 37 million cheques were sold, almost two-thirds of them to private households⁶¹.

⁶¹ RVA (2001), De Plaatselijke Werkgelegenheidsagentschappen. Beschrijvende analyse van 1995 – 1999. Brussel.

One of the main objectives of the PWA scheme was the reduction of undeclared work. In one evaluation, it was found that 44 % of the jobs carried out were formerly done undeclared and 84 % of the users of the PWA services said they were glad not to have to turn to the black market⁶². However, differing opinions can also be heard. The PWA worker can easily raise his earnings by doing part of the work for vouchers, part of it for (undeclared) cash. Through the PWA system, demand and supply were nicely brought together!

Another thing that is said about the PWA scheme is that it has pushed women out of their undeclared jobs. Many of the PWA jobs are typically female jobs in the informal sector.

A further goal of the PWA scheme was to create an easy return to the labour market for the unemployed. In practice, however, many of them stayed in the scheme for years. Therefore, by the end of 2003, the Belgium government decided to put more emphasis on another scheme, namely that of the service vouchers.

6.2.2 Service Vouchers

Service Vouchers says Belgium minister Vandenbroucke, should be seen as a huge social experiment, in which latent demand can be transformed into work, thousands of people with a weak position on the labour market are given a chance and undeclared work is turned into normal work.⁶³

Just like in the PWA scheme, vouchers are the means of payment for services. In 2004 all the PWA activities for private households are gradually transferred into the service voucher scheme. The other categories of PWA users stay with the PWA.

This scheme is also simple. The household buys its vouchers for a price of € 6.20 (for an hour). With these vouchers the household can pay for services rendered by certified companies. These companies hire the unemployed. At first, these contracts can be rather small and flexible. After six months however, the company has to offer a permanent contract for at least half time.⁶⁴ An employee of a certified company can do the following activities:

- Housecleaning
- Washing and ironing
- Sewing
- Errands
- Preparing meals

The household pays with the vouchers, the cost price of which is € 19.47 (to be indexed from 2005). The difference is paid to the company by the federal government. Households can regain 30 % of

⁶² In: Tom de Sutter (2000), Het Plaatselijk Werkgelegenheidsagentschap: regelgeving en praktijk. HIVA, Leuven.

⁶³ Press release November 26th 2003.

the price of the voucher from taxes. So for them, the price of a voucher for one hour work amounts to € 4.34.

The Belgian government hopes to create 25,000 jobs this way by the end of 2005. By then, a thorough evaluation of the scheme will be conducted. By the end of July 2003, in Flanders alone, 10,000 cheques were sold (in three months), which is an equivalent of 350 jobs⁶⁵ and in November 2003, the system of service vouchers created 2,000 jobs (Rubbrecht and Nicaise 2003)

6.3 Good practices in Sweden

The policies targeting undeclared work presented here can broadly be divided into two categories. The first category consists of actions aimed at detecting tax evasion through audits and checks. In Sweden successful practices in this group include actions designed to make control measures more unpredictable and visible. The second category consists of organizational changes in the tax and benefit system, focused at making the linkages between tax contributions and received benefits more direct and observable. Changes in the social security systems that affect the public's incentives for working undeclared are in this respect of special interest. In Sweden, the reform of the old-age pension system, in particular, has played such a role by creating a more direct channel between tax contributions and received benefits.

6.3.1 New directions for detecting tax evasion

A report on undeclared ("illicit") work in Sweden presented by the Swedish National Audit Office (RRV) in 1998 marks the starting point for a range of new strategies in the fight against undeclared work in Sweden. The report suggested a number of policy changes, which were later adopted and developed further by the Swedish Tax Authority (TA). An important component of these new policies was to make both the TA's and the benefit-paying authorities' control measures more *visible* and *unpredictable* in order to increase the preventive effects of the audits. Increased *cooperation* and *coordination* among different governmental authorities have also proven to be of indisputable value in the work against illicit work in Sweden.

⁶⁴ For other than former unemployed the rules are slightly different

⁶⁵ Jan Smets, 2003, Alle Hens aan dek voor werk. Werkgelegenheidsconferentie September 18th.

Unpredictable

Previously, enterprises were audited mainly on the basis of probability of errors, but the RRV report pointed out that checks also had to be carried out in a wider set of firms and industries. Attitudes against working undeclared in a sector of the economy are heavily affected by the degree of undeclared work in that particular sector. Once the norms and attitudes against undeclared work change, they are hard to adjust back. Therefore, as participation in the informal labour market in one sector gets more common, norms and attitudes against working illicitly deteriorates, and changing the trend gets harder. Fighting undeclared work is thus crucial even among smaller firms and in sectors with less pronounced problems. Consequently, random checks have been implemented in order to make a greater number of business owners aware of the tax authorities' presence and hence enhance the preventive value of the checks.

Visualisation and information

Other important parts of the new practices concern informing the general public about undeclared work and the actions targeted against it. Based on the assumption that a considerable share of the population is willing to take a chance on evasion when perceived benefits outweigh the perceived risk of disclosure and cost of punishment, making risk and costs evident becomes essential. Publicity is naturally a key factor in this process. The additional preventive effect of having cases published is enormous, and news media are generally very interested. Publicity has the double effect of highlighting the risk of disclosure and strengthening taxpayers' trust in the system. Both of these effects are essential, since compliant taxpayers must be confident in the capability of the TA to prevent tax evasion, while non-compliant taxpayers must perceive a risk of detection. Another important informational aspect is related to attitudes towards tax evasion among the general public. Since the formation of social norms and habits are crucial in this respect, particular attention has been given to informing young people.

In 2002, the Swedish Tax Authority launched a large-scale information campaign specifically directed towards young people. The campaign aims at preventing unwanted attitudes from settling by offering free information to vocational schools and initiating media campaigns directly targeting young people. Information about the risks of not participating in the social security system specifically directed towards the young has also been an essential component in this work. A poll conducted during 2003 indicates that there has indeed been a change of attitudes in this group. The fraction of the young population that considered undeclared work to be acceptable fell from 29 % in 2002 to 21 % in 2003.

Cooperation and Coordination

Increased cooperation and coordination between different governmental authorities has also proven to be successful in combating undeclared work in Sweden. For instance, revoking the permits to serve alcohol of restaurants that are guilty of tax evasion is a very effective means of control. Revoking the licenses of uncovered evaders in the taxi business yields similar results. For the household sector, an example is the insurance responsibilities of buyers for the safety of undeclared workers.

6.3.2 Direct channels between tax contributions and received benefits

Creating direct channels between contributions and benefits in the tax and benefit system is of great importance for enhancing voluntarily participation in the formal economy. This could, for example, be achieved by designing social security systems with strong linkages between contributions and benefits. The reform of the Swedish pension system that was undertaken in the late 1990s marks such an action. The new pensions system is the largest single item of government expenditures and it consequently has a significant impact on the economy of private individuals and on society as a whole. Although the principal reason for reforming the pension system was that the cost of pensions had increased while growth was low, it has also had an undeniable effect on the incentives for working undeclared. The new pension system is primarily based on career earnings along the lines of the lifetime earnings principle. This principle means that the value of all paid pension contributions – contributions paid in the course of working life – equals what is received as a pensioner. The system is hence, contrary to its predecessor, contribution-defined rather than benefit-defined. By shifting focus to lifetime earnings instead of incomes earned during a more limited time span, it clearly amounts to strong action taken against undeclared work.

By depositing a share of the contribution in an individual pre-paid pension account the linkages between contributions and what is finally received is also strengthened. The share deposited in this system always corresponds to money actually saved, and the growth of this money depends entirely on the returns of capital funds chosen by the pension-saver. This obviously highlights the connection between what is contributed today and what is returned as pension in the future. The incentives of the general public to contribute to the system by avoiding undeclared work are thereby enhanced. In conclusion, the development of a pension system that is rigged to improve participation has certainly provided the public with stronger incentives and motives to stay away from undeclared work in Sweden.

6.4 France: Chèque Emploi Service (CES) & Titre Emploi Service (TES)

6.4.1 Chèque Emploi Service (CES)

In 1994, the Chèque Emploi Service (CES) was established. The main purpose of the CES was to simplify the process of hiring and paying a domestic worker and making social security contributions. With a CES, anyone can legally employ a domestic worker, without the need for extended administrative procedures and labour contracts, by paying the salary with the cheques. Cheques can be bought in the local bank. Other benefits of the CES are, for example, an income tax reduction of 50 % of the sum spent on CES.

At the end of 1995, about 250,000 permanent users were registered. 160,000 of those users were new consumers of domestic and family services⁶⁶. Since the introduction of CES, the overall number of households using domestic services grew to almost 800,000 (2002)⁶⁷. In this sense, the CES successfully legalised black market employment by making the service cheques popular with many new consumers. On the other hand, by May 1996, the CES had created only approximately 40,000 full-time jobs⁶⁸. This was considered a poor result given the loss of about € 91.5 million⁶⁹ in taxes and a € 65.5 million⁷⁰ gain in social security contributions. The public deficit at that moment was roughly € 1,200 per created job. Another negative impact of the CES was that the typical user of the CES belongs to the wealthy classes in the population. The CES neither resolved the problem of quality control, nor did it contribute to the creation of a commercial market, as the CES only settles transactions between private individuals.

In 2002 the CES was doing better, as can be seen in Table 6.1 below. The number of users on both the demand and the supply side rose steadily. Almost one third of the users were pensioners. Converting the hours worked into full time equivalents, steady growth can be seen since 1996.

⁶⁶ Finger, D. (1997), Service cheques in Europe – a model for Germany?, Wissenschaftszentrum Berlin für Sozialforschung

⁶⁷ Adjerad, S. (2003), Dynamisme du secteur des emplois familiaux en 2002. DARES, Premières Informations, Décembre, nr. 51.1

⁶⁸ If the number of jobs worked are divided by the ordinary 39-hours working period.

⁶⁹ Approx. 600 million francs

⁷⁰ Approx. 430 million francs

Table 6.1 Development Chèque Emploi Service

Year	Number of employers	Employers older than 70	Number of employees	Hours worked	FTE's
1998	469,000	170,000	370,261	100,963,905	50,482
1999	556,000	193,000	344,389	124,739,193	62,370
2000	564,757	217,282	369,433	138,993,00	69,497
2001	666,228	251,036	381,993	153,756,612	76,879
2002	765,411	252,585	425,845	175,542,612	87,771

Source: S. Adjerad 2003

6.4.2 Titre Emploi Service (TES)

The Titre Emploi Service (TES) was created in 1996. It allows work councils, regional and local authorities and welfare associations to guarantee financial assistance to their own staff members who hire someone to provide domestic services in their homes. Like the CES, the objective of the TES is to simplify hiring domestic services in a legal way.

The main difference from the CES is that with TES, the private person does not employ someone, but is a client of a company that operates as the service provider. The private person receives the TES from his or her employer as part of the salary. Thus, unlike the CES, the TES is not for sale in a bank, for example.

The TES is intended mainly for private households that normally do not have access to domestic services. In this group, however, little extra demand has been generated. The main reasons for this are cultural barriers and the fact that the most offered service, cleaning activities, is not a priority demand in this group. Diversification of the service assortment will be necessary to accomplish the needs of that category.

Six years after its introduction, the TES is less used than expected and did not generate the volume of regular work estimated⁷¹. In 2002, a total of 1,3 million TES has been used, representing a value of € 15.7 million and roughly a 1,000 full-time equivalent. This is a mere 5 % of the initially 20,000 full-time equivalents expected at the start of the project.

The supply of service providers is insufficient. All organisations willing to use the TES had problems finding providers for the services as well as difficulties identifying the proposed services (e.g. requested detailed description of demanded services) and finding companies prepared to accept the TES as a form of payment.

The TES did not structure the supply-side of the market of domestic services sufficiently, nor did it organise the demand-side for this type of services. Both were objectives at the beginning of the programme.

Furthermore, the obliged use of a service provider in no way guarantees a better quality of work than a one-on-one relationship between two individuals; the latter is easier to accomplish. A direct relationship between supplier and demander is more flexible with regard to the content of work to be done and enables a relationship based on mutual trust, which is important in the case of intervention in private surroundings, like homes (Renooy 1990).

The above-mentioned aspects of the TES do not prompt a demand side that already has access to domestic services – legally or illegally – to switch to a system using the TES. Parallel to this, service providers have difficulties meeting certain needs of the demand side, like urgent household support due to hospitalising or small maintenance works, because requested competencies carrying out these activities are not available within their organisation.

6.5 Germany: Hartz Committee and Mini jobs

6.5.1 Hartz Committee

In August of 2002, the Hartz Committee presented its final report. This committee was installed to offer recommendations to improve the functioning of the German labour market. In general terms, the labour market was seen as too inflexible to be able to react to current economic problems. In the course of 2003, many of the recommendations were implemented. Because of the direct relationship between deficiencies on the formal labour market and the informal market, many of the Hartz proposals are of relevance for us. We present the most importance ones:

- In order to give an impulse to temporary employment, throughout Germany, so called Personal Service Agencies will be created. The official Employment Offices will have to associate themselves with private (for profit) temp agencies for that reason. When there is no private temp agency in the region, the local Employment Office should start one itself
- Temporary employees will have to receive the same salary as employees with permanent jobs doing the same kind of work
- Under certain conditions, temporary labour will be permitted in the construction sector. This was previously strictly forbidden.

⁷¹ Guimiot, A. and S. Adjerad (2003), *Le Titre Emploi service: en mal de succès*, Premieres, Dares, Septembre 2003 – No 39.1

- Unemployed who want to start a one-man business (Ich-AG, or in English, Me-Inc) or a family business (Familien AG), are entitled to a monthly subsidy for three years:
 - Year 1: € 600 (50 % of the average unemployment benefit in 2002)
 - Year 2: € 360 (30 % of the same)
 - Year 3: € 240 (20 % of the same)
- The administrative burden of small enterprises will be brought back (Small Business Act)
- The (re)creation of mini jobs, which we will give some more attention

6.5.2 Mini jobs⁷²

The coming about of the mini jobs.

It is a fairly undisputed view in Germany that the most important reason for engaging in undeclared work are tax and social security burdens that force a whole employment segment into the black economy. Employment, for example, in personal services, household services and unskilled activities is considered to be too costly to be executed legally on the labour market. Social security contributions, in particular, are seen as driving labour costs beyond productivity, thus rendering legal employment in these areas uneconomical. A high unemployment rate for unskilled workers and growing demands for mentioned services through undeclared work are the result. Fighting unemployment by reducing labour costs therefore creates legal employment in areas that were hitherto dominated by undeclared work.

In the 1970s, the so-called minor employment (Geringfügige Beschäftigung) was introduced on the German labour market. It became increasingly popular in the 1990s as a form of low cost employment.

Until 1999, minor employment was allowed up to a certain income level, then DM 630, and a weekly working time of 15 hours. It was completely exempt from social security payments on the side of employers and employees alike. Employers had to pay a lump-sum tax of 23 %; employees had to pay no tax at all. Minor employment could be combined with normal employment and still be exempt from tax and social security contributions. This was a fairly liberal regime, which allowed for small jobs on the side for employees, students and pensioners alike, and for a small extra income for married people already insured by the family health scheme of their bread-winning partner. Originally, these groups were the target groups of the law, and were considered to be so small that their exemption from tax and social security payments would not cause any significant income losses for the state budget and the social security systems. However, during the 1990s, minor employment grew dramatically and became a significant part of the labour market. In the beginning of 1999, there were over 6.5 million minor jobs and these kinds of jobs represented almost 70 % of all jobs in catering and 60 % of all jobs in cleaning.

⁷² This part is mainly based on the paper that Baumann and Wienges prepared for our conference in Malmö, November 2003.

This growth of minor jobs posed a threat to the financial basis of the social security system, in particular pensions and health insurance. Moreover, labour unions feared the loss of normal jobs in favour of minor jobs. So in 1999, the government reformed the minor jobs scheme somewhat, with a view to limiting its growth.

The Hartz Committee in 2002 launched new proposals for the minor jobs. The German government (newly re-elected at that time), adopted these proposals, introducing three types of mini jobs.

400 Euro jobs

The income limit of the 630 Deutsch Mark jobs was raised to € 400. Within this income limit, mini-jobs enjoyed social security contributions reduced to 23 % (12 % for the pension insurance system and 11 % for the health insurance system) and a lump-sum tax of 2 %. A major change of the 2003 reform was the lifting of the working time restriction of 15 hours per week. Now minor employment can be executed without any working time restrictions, presumably increasing flexibility for employers but also lifting a de-facto minimum wage.

Mini jobs in the household sector

Also introduced in the latest round of reforms, the household mini jobs are specifically geared at fighting undeclared work in the household sector (the Hartz Committee calculated between 1.2 and 2.9 million undeclared employment relations in this sphere). For household mini jobs, the employer has to pay a levy of 12 % (5 % for pension insurance scheme, 5 % for health insurance system and 2 % as a lump sum tax). Moreover, the employer can deduct a certain amount of payment from taxes (Dienstmädchenprivileg).

Midi jobs

In order to ease the transfer from minor into normal employment, a transition zone ranging between an income of € 400.01 to € 800 was introduced, in which social security contributions for the employee rise gradually from around 4 % to the full 21 %. Earlier, the sudden jump from zero to full social security contributions resulted in a real income loss when moving beyond the income limit (poverty trap).

6.5.3 Results

Compared to 4.1 million employees in minor employment in September 2002, there were almost 5.5 million persons in minor employment at the end of April 2003, one month after the introduction of mini jobs. This is a rise of 1,362,000 additional people in minor employment. Another tentative rise of about 300,000 persons is recorded for the period from end of April to August 2003.

Out of these, however, almost all are due to a rise in the newly allowed combination of minor with normal employment. Around 1.21 million employees used the possibility of having minor

employment as an add-on to normal employment. Most of these, according to the employment office, actually exercised the respective work already before April 1, 2003. Around 630,000 transferred their formerly taxable add-on job into a minor employment relationship. The remaining *580,000 employees are likely to have transferred their add-on job from the realm of undeclared work into the sphere of registered mini jobs.*

From the 1.21 million employees who had a mini job as an add-on at the end of April 2003, 463,000 actually used it in combination with unemployment benefits. Beneficiaries can combine both incomes but have to deduct part of their unemployment benefit. It can be assumed that a good part of this group has also transferred former undeclared work into formal minor employment as a consequence of the 2003 reform.

Household mini jobs have also increased in number since they were introduced in April 2003, albeit at a lower pace than expected. From around 27,000 mini jobs in the household sector before the 2003 reform, the number of mini jobs has risen to just above 36,000 in October 2003. Given the estimates of undeclared employment relationships in private homes, the transfer from undeclared work into formal employment relationships in this area apparently takes place only cautiously. One reason for this may be that private households expect to be less likely to become subject to inspections than employees and employers in the private sector, and are thus more reluctant to formalise their employment relationships. Another explanation may be that the new regulations are not yet familiar with private households and that formalisation and employment growth will pick up speed over time and only after some initial learning phase.

A recent start-up monitor, conducted by the KfW-bank (2004), shows that the Ich-AG (one man business) scheme was frequently used in 2003. Over 93,000 long term unemployed started a small business using this scheme. The German government expected around 20,000 of these start-ups.

6.6 Denmark: Home Service Scheme (Hjemmeservice-ordningen)

The Danish Home Service Scheme started as an experiment in 1994. Three years later, it was made permanent. The scheme makes it possible to get state subsidies for household services like cleaning and small jobs around the house, including gardening.

The Home Service Scheme was set up with several objectives:

- Promoting the development of enterprises that provide household services
- Offering job opportunities for low skilled jobseekers
- Competing with the supply of undeclared work in domestic services

The work must be carried out by an authorized company that participates in the Scheme. Authorisation to participate can be obtained at the Danish Commerce and Companies Agency (DCCA). Once registered, the company can render services to households on which the government

grants a 40 % subsidy (only on labour costs; expenses for materials are not subsidised). The company can put in the claim for the subsidy at the DCCA through an Internet invoicing system. Within seven days, the subsidy is granted. In 1998, there were 3,506 companies registered within the scheme. Most of these companies are small: 91 % were even one-person businesses.

Households can find information on the companies they can hire within the scheme at the town hall. They are allowed a maximum of almost € 7,000 per year in subsidised services.

Personal and domestic services constitute one of the fastest growing sectors in the Danish economy. In 1998, the growth was 24 %, with a turnover of around € 130 million. At that time, one out of eight Danish households used the Home Service Scheme, an average of five times a year. Almost 90 % of consumers were very satisfied with the company and its services. In 1997, more than 2,000 jobs were created; by the year 2000 this had grown to 3,700 jobs (fte)!

An evaluation by the Danish ministry of Business Affairs (now the Ministry of Economic and Business Affairs) in 2001, however, concluded that the Home Service scheme had but a modest influence on turning undeclared work into formal labour. Of all users, only about 10 % replied that they previously hired black labour for domestic cleaning jobs.

6.7 Italy

Italy is one of the countries in which much effort is put into combating undeclared work. Unfortunately, despite all that effort, the Italian informal economy continued growing in 2003. The Regularisation Campaign introduced in 2001 has not been as successful as initially expected. This prompted the Italian Ministry of Labour and Social Policy to propose the establishment of an extraordinary commission endowed with broad powers to combat undeclared work. Nevertheless, the Italian approach is very interesting with regard to possible effective and less effective policy measures. Below, we present some highlights of the policy measures taken since 1996.

6.7.1 Realignment contracts (1996)

In 1996 the Italian government implemented a policy measure combating undeclared work named the realignment contracts (D.L. n. 510/96). This pilot experiment was developed especially for some geographic and productive areas in Southern Italy. The philosophy behind the measure was to give employers temporary permission to pay less than the minimum wage of the National collective bargaining contracts, under the restriction that they agreed to gradually raise salaries and meet national standards.

The measure was largely applied in the textile, garments and footwear sectors in the provinces of Brindisi and Lecce. The program was stopped on request of the European Commission, as it was considered unlawful governmental aid to reduce labour costs.

When the program stopped, many companies who achieved national payment levels halted their business, unable to maintain the new wage level. In several instances, the companies closed temporarily and restarted under a new name at the same plant and using undeclared workers again.

6.7.2 Committee for the emergence of the underground economy (1998)

Law No. 448/98 of 1998 established a national committee for the emergence of the underground economy, “*Comitato per l'emersione del lavoro non regolare*”, responding directly to the Prime Minister's Office.

The establishment of the national committee extended the joint approach combating undeclared work already adopted by the former alignment agreements. Now, the entire regulation process is supported and promoted by negotiations between social partners and institutions at the local level. The committee's primary task is to analyse and co-ordinate regularisation initiatives. Besides the central committee, regional and provincial committees were set up, with the task of analysing local situations, promoting agreements and providing support reaching regularisation agreements. Each regional committee has 15 members, seven appointed by the public administration and eight appointed jointly by the social partners.

Furthermore, in the last few years, a network of regional “tutors” has been established. Tutors are independent professionals with backgrounds in socio-economic disciplines, for example lawyers or economists, and with profound knowledge of the economic and labour market situation of a region. The national committee temporarily hires them. The tutors are not governmental workers but work on a freelance basis. Their main task is to support the development of the regional regularisation process by providing help to companies who want to leave irregularity behind and “surface”. One of the tutors describes himself and his colleagues as street level bureaucrats because they are “on the road” doing their job visiting companies, and do not have residence in or execute their work from a central office where the entrepreneur has to go for information.

6.7.3 Regularisation campaign (2001-2003)

In October of 2001, the Italian government implemented a law known as the Regularisation Campaign (L.383/01), which ended in February of 2003. The law allowed employers and workers who declared they had operated irregularly to regularise their situation with respect to tax, labour safety, social security contributions, land use irregularities etc. In exchange, employers paid reduced sanctions and reduced taxes and social contributions for three years, so as to adapt to the increased (labour) costs. The workers involved could pay reduced pensions contributions for the past and would have to regularise their own tax situation.

Employers and employees involved in irregular work have two options:

- Declaration at once, in which the entrepreneur and its workers declare the irregularities and pay immediately all – reduced – taxes and contributions to be paid
- Gradual regularisation, in which the entrepreneur submits a regularisation plan, including deadlines to solve an irregularity, to an *ad hoc* committee. If the deadline is not followed, the entrepreneur is penalised by paying 100 % rather than reduced tax and contributions.

With this Regularisation campaign, Italy expected to regularise about 900,000 workers. The final result of 1,029 declarations and 3,854 new regularised workers is disappointing and probably means the end of policies focussing on reducing labour costs. The complexity of the problem being undeclared work is not caused by one aspect but influenced by many cultural and socio-economic facts and habits, is seen as one of the reasons of these lower than expected results.

Based on these experiences, it appears that direct measures like the realignment contracts and the regularisation campaign are not the best methods for combating undeclared work, because entrepreneurs seems to prefer more “hidden” regularisation abilities. Those instruments are in Italy known as indirect methods. Some examples of these implemented indirect methods are:

Simplification and deregulation

Complying with entrepreneurial laws and procedures may cause such a workload for entrepreneurs that it will be easier, or more financially convenient, for them not to declare their activity. Part of the developed regularisation policy assumes the modification, e.g. simplification, of such norms. For example, in the upper end of the market for men’s suits, the best-paid workers are experienced, skilled workers who often are retired. Until recently, it was prohibited to earn extra money alongside retirement pensions. Many of these retired workers, therefore, used to work in the shadow economy, e.g. had undeclared jobs. With regularisation, extra wages may be earned alongside retirement pensions. Furthermore, incentives have been introduced for workers to continue working after reaching the retirement age and for employers to retain older workers.

Obligatory registration of all employees for industrial accident insurance

Another example of an indirect method is the introduction of the compulsory disclosure of individual data for registration of workers for industrial accidents insurance. Previously, employers did not have to provide the name and social security number of employees to the National Insurance Company. Therefore, knowing the probability of work-related accidents, employers used to declare a lower number of workers than they actually employed – for each year, they only “bought” enough policies to cover the accidents they expected to happen, and were thus underinsured. With the new regulations, employers are forced to identify workers with name and social security number within

twenty-four hours of the start of the contract. Following the introduction of this new procedure, the number of employee registrations increased.

Other indirect measures

Some interventions aiming at strengthening enterprises, sectors and clusters of firms indirectly stimulate legalisation. Some examples are:

- *Tax credit for new employment.* Firms who increase the number of workers employed with a permanent contract may obtain tax credits to compensate other taxes they owe. There is some evidence to suggest that this measure has been used to regularise workers who were previously undeclared. A high percentage of firms that claimed the tax credit in 1997-1998 passed from zero to more than two workers, and, in some cases, even ten workers. It is unlikely that such increases happen suddenly.
- *Strengthening of clusters of firms.* This type of measure concerns a set of interventions, taken by both public and private actors, separately or together. Initiatives such as the opening of export channels, increasing the offer of industrial areas suited for small and micro-enterprises and the creation and promotion of consortia (for example guarantee consortia) all remove obstacles to regularisation. Stronger entrepreneurs abandon price-based competition and can compete on quality. The regularisation of their business also provides them with legitimisation within entrepreneurs' associations and the public authorities. These types of initiatives need to be co-ordinated and tailored to local needs.

6.7.4 Case study: C.U.O.R.E. project, Municipality of Naples

The C.U.O.R.E project started in 1998 with an agreement between the Municipality of Naples and the University Federico II to conduct an in-depth study of the local business environment. The project was initiated by the Municipality of Naples. The research revealed that the real Italian labour market problem it is not unemployment but irregular, e.g. undeclared, employment. In some ways, these first studies and the C.U.O.R.E. birth are considered the beginning of the Committee experience. Some of the C.U.O.R.E. operators collaborate with the Committee.

The C.U.O.R.E. project nowadays consists of a network of neighbourhood service centres for entrepreneurs and would-be entrepreneurs.⁷³ Each local C.U.O.R.E. centre serves one low-income neighbourhood. The target group of the projects is small and micro-sized entrepreneurs with the potential for growth. C.U.O.R.E. centres, however, also work with larger and more established enterprises, especially with local business leaders.

⁷³ The acronym C.U.O.R.E. reads like "cuore", the Italian word for heart, courage, and passion. It stands for Centri Urbani Operativi per la Riqualificazione Economica, Urban Operational Centers for Economic Renovation.

The C.U.O.R.E. project workers (e.g. operators) conduct fieldwork to identify local firms, regardless of their regularity. Once the companies are identified, C.U.O.R.E. centres offer information and advice for regularisation, support by designing business development strategies and enterprise creation. Regularisation services are a distinctive innovation of the project.

On request of the entrepreneur, C.U.O.R.E. operators devise custom-made regularisation and development paths. The operators can help by identifying the people and organisations (e.g., consultants and public administrations) that can provide support by checking the quality of consulting services, resolving barriers within the interaction with public services or offering other types of services. The operators closely monitor each step of the process to make sure that:

- The entrepreneur follows the (agreed) path of regularisation
- The path itself still suits the entrepreneur's needs

Pay-off of the C.U.O.R.E. project:

The analysing system used in C.U.O.R.E. and the previously conducted research is considered to be very innovative. The fieldwork is conducted in neighbourhoods considered “difficult” because of their nature, closed social structure and low-income population. Hence, operators familiar with the neighbourhood were chosen to do the fieldwork. Since they had to interact with productive activities and detect hidden productive activities, it was important to adapt their behaviour to the area concerned. For example, if the area was socially richer, work could be a little more visible. On the contrary, it was necessary to deal with the issue in a different way in more distressed areas. On some occasions, it was necessary for the operators to disguise themselves, and even to investigate indirectly by pretending to be customers etc.

After the start of the national Committee, tutors in the region of Apulia and in other regions decided to use the C.U.O.R.E. experience as a best practice to develop their own method of approaching entrepreneurs.

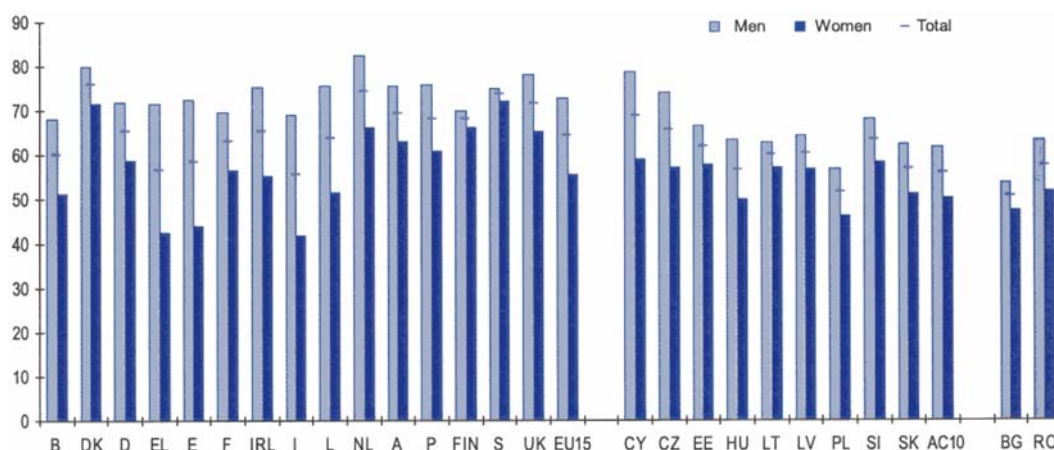
7 Gender dimension of undeclared work

In the council meeting in Luxembourg of October 2003⁷⁴ the European Commission adopted the resolution on undeclared work (guideline No 9). In the resolution text, the European Commission points among other things to the strong implications of undeclared work for gender equality. In this chapter we look at different aspects of the gender dimension of undeclared work.

7.1 Participation of women in (un)declared work

In the last few decades, the participation of women in the formal labour market has grown. Nevertheless, women are still employed to a lesser degree than men. Figure 7.1 shows the employment rate in the EU Member States as well as in the new Member States and candidate countries.

Figure 7.1 Employment rate by gender, 2002 (%)



Source: Eurostat, QLFD. Note: AC10 does not include Malta

In 2002, the employment rate for the EU15 grew slightly to a level of 64.3 %. The growth of the employment rate for women was relatively high (0.6 percentage points), raising female employment to 55.6 %, while for men it fell very slightly (by 0.2 points) to 72.8 %. The employment rate for Swedish and Danish women is the highest in Europe (respectively 72.2 % and 71.7 %).

The employment rate in the old Member States is only slightly higher than in the new Member States. Looking at female participation, one can see that the difference between new and old Member States is even smaller. In fact, in several old Member States women participate far less

⁷⁴ 13538/03 REV 1 (Presse 302)

than in any new Member State, viz. in the southern European countries Greece, Spain and Italy. In these countries, a large gap exists between male and female participation.

Empirical data on the gender division in undeclared work can be found in the comparative study on undeclared work in five countries – among which four are Member States – in Pedersen (2003). Overall, he finds that men are more active in undeclared work. In Denmark, almost three times more men than women carry out undeclared work (29.4 % and 11.5 %, respectively). In Germany, Sweden and the UK, male participation is generally twice as high: 14.5 % and 6.5 % respectively in Germany, 15.4 % and 7 % in Sweden and 10.3 % and 5.4 % in UK⁷⁵. Comparable results were found for the Netherlands by van Eck and Kazemier (1989) and Koopmans (1989).

In several new Member States and candidate countries, information is available on the gender division of undeclared work. In most of them, the participation of women tends to be lower than that of men.

Czech Republic. In a survey conducted by Hanousek and Palda (2003), one third of all undeclared workers were women. In the best paying jobs, their presence was more pronounced: 41 %. Of all the individuals in the survey purchasing undeclared produced goods and services, 48 % were women.

Slovak Republic. The experts reporting on the Slovak Republic present a higher participation of women than men in undeclared work. Using a comparison of the employment based on the enterprise surveys and the labour force survey (2000) Hajnovicová (2002) estimates the female share of undeclared work to almost 60 %. Hanusek and Palda (2003), however, found that only 20 % of all undeclared workers were women. They were more predominant in better paying undeclared jobs. Women's share in demanding undeclared produced goods and services was also bigger: according to the survey, 45 % of the buyers of undeclared work were women.

Poland. According to figures of the Polish Central Statistical Office (CSO), men constituted around 70 % of unregistered workers. The most male dominated age group is that between 25 and 34 years of age (Kostrubiec 1999). There is a clear correlation between the level of education and participation in undeclared work.

Bulgaria. Here 44.5 % of all men aged 15 and above are thought to be engaged in undeclared work, compared to 37 % of all women⁷⁶.

⁷⁵ The total volume of informal labour can be found in chapters 4 and 5

⁷⁶ National Statistical Institute, Labour Force Survey 26.6.2003

Estonia. Figures of the Statistical Office of Estonia suggest that the division of labour between men and women in undeclared work is almost 50/50.

It is interesting to note that just like in Poland, according to the findings of the Statistical Office participation of women grows with the level of education, whereas that of men shows the opposite tendency.

Table 7.1 Division of undeclared work in Estonia 2001 (%)

	Male	Female
Total	50,9	49,1
Below upper secondary education	60,9	35,7
Upper secondary education	55,1	45,0
Tertiary education	39,4	60,6

Source: tables created for this research by the Statistical Office of Estonia

Romania. The gender dimension of undeclared work is rather neglected in Romanian studies. As an indicator for female participation, one can look at the figures of the Territorial Labour Inspection. In its campaigns against labour without legal forms, 54 % of illegal employees found were women.⁷⁷

Hungary. In the report by our Hungarian expert, there are no figures on the participation of women in undeclared work, but it is said to be far lower than that of men. The reasons given for this are reasons that seem to apply for the other new Member States and candidate countries (and several old Member States) as well:

- The traditional division of rules and tasks between men and women in Hungarian families is still strong. In this context, the main role of men is to earn income for the family, whereas women are responsible for child bearing, organising and tidying the family together. Therefore men are more able to be involved in economic activities – undeclared or not – than women.
- Female labour is over-represented in the public sector (e.g. health, education, public administration) where the role of undeclared work is very limited. On the other hand, male labour is particularly dominant in those branches of the private sector where undeclared work is typical (construction, road transportation etc.).
- Job security among men is lower than that among women, which means that men become unemployed much easier than women. Consequently, many unemployed men become “constrained entrepreneurs” (sole proprietors), setting up their “own business” without any real

⁷⁷ This figure is compiled through combining information of press releases of the Territorial Labour Inspection over the last years. It serves as an indicator.

economic base or infrastructural background. These “single person enterprises” constitute a hotbed for undeclared economic activities in Hungary.

- The participation of women in undeclared work (which is generally performed after normal working hours or during the weekends) is also limited by their tasks within the family (looking after children, household work etc.). Especially the opportunity of young women who stay at home with their children on child benefit to take part in undeclared work is limited. Their number is relatively high: roughly 300,000 or about 15 % of the total female employees.

7.2 Types of work and working conditions

The informal labour market in many ways reflects the formal labour market. Pfau-Effinger (2003, p.3) concludes that “the gender segregation of labour (in undeclared work) is closely linked to the structures of the gender division of labour in formal economy and in the family”. One could argue that many types of undeclared work and sectors of the informal economy are “gendered”. The sectors that are frequently mentioned as being dominated by women are trade, hotels and personal services (Slovak Rep., Estonia, Hungary, Bulgaria), agriculture (Hungary, Poland), care for children and elderly (Poland, Hungary), health and social work (Estonia) and education (Estonia). Only for Bulgaria mention was made of a predominance of women in a manufacturing branch, viz. the leather and textile industry.

Especially in Western European countries, there is a substantial unmet need for household services, according to Cancedda (2001). This demand is for activities like cleaning, childcare and food services. Cancedda concludes that this kind of work is mainly carried out by female undeclared workers.

The wages earned by women tend to be lower than those of men. The findings by van Eck and Kazemier in 1989 for the Netherlands – that men tend to earn around 50 % more per hour than women – will probably still be valid for many other countries.

Williams and Windebank (1998) state that the jobs women perform in undeclared work are often their primary employment rather than the type of temporary second jobs that men tend to have. This pattern is also found in Poland, where 18.1 % of unregistered female workers perform undeclared work on a permanent basis, whereas the corresponding indicator for men is 11.7 % (Kostrubiec 1999). According to Williams and Windebank, this is due to the fact that women often work out of economic necessity, whereas the undeclared work of men generally serves merely to earn them some spare cash. In the Polish case, the explanation is partly found in the regulations governing

female employment. These are very restrictive and consequently discourage prospective employers from hiring women, thus pushing them into the undeclared work⁷⁸.

Men also tend to be more autonomous in their undeclared work, while women often are less independent and work in less favourable working conditions. Especially women with a weak position on the formal labour market often find themselves in the worst undeclared jobs, working in sweatshops and the like. In the urban areas of Western countries, this is often the case with immigrant women (Sassen-Koob 1989, Mitter 1985). Some more autonomy is gained when working for private households, doing cleaning jobs or minding children or elderly. Pfau-Effinger stresses, however, that even in these cases, women have a weak employment status. One could characterise this relation as a master – servant relation rather than an equal relationship in which the labour of the servant is “commodified”. In the master – servant situation, the servant is a subject of the employer and bound into the family through a set of hierarchical, but allegedly reciprocal, relations. The *au pair* system is another example of this.

The social valuation of the jobs women hold in undeclared work is generally quite low. Female jobs are low skilled, exploitative and organised (Pfau-Effinger 2003). Cancedda (2001) mentions that the low hourly salaries make undeclared work in the domestic sector very competitive, especially in countries with high non-wage labour costs and taxes. Furthermore, career prospects in sectors like childcare, care for the elderly and domestic cleaning are rather limited.

7.3 Gender arrangements

What, then, is the background to the division of undeclared work outlined above? The cross-national comparison in the FIWE project⁷⁹ of the EC identifies the following main factors to have an impact on the development of informal employment of women in the field of household work:

- A strong cultural role of the housewife model in the male breadwinner family in history, mainly in the 1950s and 1960s
- A cultural acceptance of subordinate “servants” in the household, often based on a long tradition of household servants in the upper class
- The availability of cheap female labour
- Gaps in the welfare state provision of childcare and elderly care
- The lack of cheap labour for household work in formal employment

These factors can be found in different combinations and in different strengths in the various European countries. Pfau-Effinger (2003), following Esping-Andersen (1990), distinguishes three

⁷⁸ Recently, the Polish parliament adopted regulations that may increase the willingness of employers to employ women, e.g. the shortening of maternity leaves.

⁷⁹ Formal and Informal Work in Europe (FIWE) co-ordinated by Pfau-Effinger (and others)

types of societies, based on their type of welfare regime that lead to different manifestations of undeclared work in the household sector:

- The social democratic welfare regimes
- The conservative and liberal welfare states
- The “Latin Rim” countries

The *social democratic welfare regimes* are found mainly in the Nordic countries. In these societies the household based, “female” type of informal employment is relatively rare. The tradition of housewife marriage is, in countries like Denmark, Finland and Sweden as well as the former GDR, relatively weak (Pfau-Effinger 2003). There is a relatively broad system of public childcare and elderly care provided by the welfare state. Because of the relatively egalitarian income structure, cheap labour is rare. Furthermore, the egalitarian cultural tradition makes hiring of subordinate workers for household jobs or similar work culturally not well accepted. Instead, in Denmark, the welfare state organises employment, subsidised if necessary, for the unemployed in domestic services.

The cultural resistance to subordinate workers in the household can get weaker when there is a supply of cheap labour from outside the own group, like immigrants. Anderson (2003) cites a white British employer, hiring an immigrant:

“It’s difficult having someone working for you from the same race because we have this idea of social class in our minds, don’t we. And that would be uncomfortable in your house. Whereas when it’s somebody from a different country, you don’t have all that baggage...There’s none of that middle-class, working-class, upper-class thing...it’s just a different race.”

In the *conservative welfare states*, like West Germany, a broad undeclared work sector in the private households of the middle classes developed in the 1990s. Analysis of German statistics reveals that 7.6 % of all private households regularly employ workers for cleaning and caring tasks. Most of these workers have to be undeclared workers, as only 1.3 % are formally employed (Pfau-Effinger, 2003).

All this is possible thanks to an increasing supply of cheap labour caused by high unemployment rates and relatively low unemployment benefits, as well as increasing numbers of immigrants without access to the formal labour market, due for example to lack of working permits. On the other hand, since more women get formally employed (reducing the gender gap in employment rate) the demand for private household services increases. Furthermore, the cultural orientation towards a family household based on the tradition of the model of housewife with a male breadwinner supported this development. So did the cultural acceptance of having subordinate

workers in the household. This hierarchical structuring of social inequality, which is one of the characteristics of the conservative welfare regime, contributed to this development.

Recently one can observe policy responses to the growth of the undeclared domestic sector. In Germany, through the € 400 jobs and various tax incentives, this sector is being regularised. The same can be said for Belgium and France, where different types of voucher systems are meant to transform the informal domestic work into formal employment (see chapter 6).

In the “*Latin Rim*” countries, the welfare state suffers from a number of deficiencies in the field of family policy, e.g. childcare and elderly care, which is more developed in most West European countries. Providing care for one’s family is mainly seen as a private matter that women have to resolve for themselves (Parella, 2003). The tradition of the model of housewife and male breadwinner is relatively strong. The employment rates for women in the Latin Rim countries are low compared to other European countries, and as a consequence the gender gap is relatively high. In the last few years, however, the situation has turned around somewhat. Younger generations of women are more present in the labour market than before, but because the welfare model has not yet changed we see increased demand for domestic services, which is to a certain extent filled in by informally employed legal and illegal female immigrants (Parella, 2003).

The framework Pfau-Effinger presents corresponds with the theory of Parella (2003). She distinguishes between “familistic” and “non-familistic” societies, based on the interpretation of the term “care”. In the non-familistic societies, such as the Scandinavian countries, the state takes on much of the responsibility for care provision for all its citizens, including childcare and elderly care. On the contrary, in the southern European countries, but also in Eastern countries like Hungary, Bulgaria and Romania, “care” is synonymous with “family care” and is basically viewed as the responsibility of the women of the family. As a consequence, caring and domestic work remain non-compensated or undeclared female work, performed within the family boundaries throughout southern Europe as well as in western and eastern European countries.

7.4 Summary

In most European countries, be it western or eastern, women participate less in undeclared work than men do. Especially in the new Member States and the candidate countries studied, female participation rises with educational level.

Women are mostly found in sectors with a lot of “female tasks”. Informally employed women are found in the service sector (personal services, care), the hotel and restaurant branch, health care, education, commercial cleaning and so on. Few women are found in sectors well-known for undeclared work, like construction and repair. The working conditions of women in undeclared

work are, overall, less favourable than those of men. Women are engaged in less autonomous jobs, earn less and tend to have the informal job for economic necessity, rather than for earning some extra cash on the side like men do. Women's jobs in undeclared work have a more permanent character than those of men.

Dr. Pfau-Effinger connects the incidence and types of female undeclared work to the different types of welfare states. In the egalitarian social democratic welfare regimes there is neither the culture nor the need (because of state provisions) to rely on undeclared female (domestic) labour. In conservative welfare states, like (former) West Germany, the culture and the demand for domestic labour have led to considerable growth of undeclared work in the households sector. Finally, in the countries of the so called Latin Rim, culture is very much against women working formally, and is strongly geared at keeping them in the house to perform family tasks. Unfortunately, little empirical evidence on female participation in undeclared work is available at the moment. Ongoing research by Dr. Pfau-Effinger will shed more light on the subject.

8 Conclusions and policy recommendations

In this study, the focus was on four sets of issues concerning the phenomenon of undeclared work:

1. The statistical definition, measurement and estimates on the size of undeclared work in the EU and Member States
2. Undeclared work in the new Member States and candidate countries and the impact on the labour market
3. The gender dimension of undeclared work
4. The identification of good practice and how to improve policy to transform undeclared work to formal employment

The main findings are summarised in section 1 of this chapter. In section 8.2 we turn to policy recommendations.

8.1 Conclusions

In recent years a wide array of colourful names has been used to describe the phenomenon we are discussing in this study. In this project, labour is our focus and main element of study, and we use registration according to national requirements as the criterion for what is to be understood as undeclared work. The definition is:

“productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States.”

Several methods to measure undeclared work as a share of GDP or in labour volume are discussed. We explicitly draw attention to the many problems that accompany most of these methods. We agree with OECD statisticians that the monetary approaches are not very useful and that for measuring the volume of labour, the so-called labour input method is far from incontestable. We therefore opt for direct methods of measuring.

The problems of measurement are reflected in the limited availability of reliable and comparable information on size and structure of undeclared work in the various countries studied. Hardly any of the EU15 countries were able to produce this kind of information. We therefore also used other reliable sources to obtain an overview of the size of undeclared work.

Undeclared work is reported to be rather modest in size in most Member States. For many countries in the EU15 estimates given are around or below 5 % of GDP, with the exception of some southern European countries like Italy and Greece.

Regarding the scale and dynamics of undeclared work in new Member States and candidate countries, three clear groups can be identified:

1. A low level and decreasing share of 8-13 % of GDP (Czech Republic, Estonia and Slovakia)
2. A medium level and decreasing share of 14-23 % of GDP (Poland, Slovenia, Hungary, Lithuania, Latvia)
3. A high level and increasing share of more than 21-22 % of GDP (Bulgaria and Romania)

Most of the undeclared work and informal economy in the post-socialist countries is concentrated to the same sectors as in the EU in general.

Characterising the forms of undeclared work in the central and eastern European (CEE) countries, special attention should be paid to the widespread practice of “envelope wages”, when underreporting income becomes as important as non-reporting. Corruption and interconnection with legal business are also important characteristics.

Factors explaining the development of undeclared work in the CEE countries may be subdivided into three major groups: 1) socio-economic/market, 2) institutional and 3) ”societal”, which include cultural traditions and relationship between individuals, society and state.

Most of the CEE countries have targeted policies to combat undeclared work, with an emphasis on institutional measures. But there is also a small group of countries (Poland, Hungary and Slovenia) with a long history of undeclared work, which now follow a *laissez-faire* approach.

In most European countries, be it western or eastern, women participate less in undeclared work than men do. Especially in the new Member States and the candidate countries included in this study, female participation rises with educational level. Women are mostly active in sectors with a lot of “female tasks”.

There seems to be a correlation between the incidence and types of female undeclared work and the different types of welfare states. In the egalitarian social democratic welfare regimes, there is neither the culture nor the need to rely on informal female (domestic) labour. In conservative welfare states, the culture and the demand for domestic labour have led to considerable growth of undeclared work in the households sector. Finally, in the countries of the so called Latin Rim, culture is very much against women working formally, and is strongly geared towards keeping them in the house to perform family tasks.

In different Western European countries, policies were introduced to combat undeclared work, and in particular to transform undeclared work into formal labour. Many of these policies were aimed at reducing the price of personal and domestic services.

For the central and eastern European countries, success factors in combating undeclared work include the general success and stability of economic development, political stability, integration in Western markets (including the presence of foreign capital) and the liberalisation of foreign trade.

However, the experience of the EU15 shows that there are *certain limits in combating undeclared work and transforming undeclared activities into formal, declared ones*. Undeclared work never seems to disappear completely. In this respect, the new Member States and candidate countries, after coming over the transitional difficulties, have a fair chance of becoming not much different from the current EU15, with all its variety in terms of the character and size of its undeclared work.

8.2 Policy recommendations

1. The incidence of undeclared work has different root causes in the various countries in the enlarged EU. They even differ within countries. Consequently **different approaches** towards undeclared work should be used in different countries.
2. Policy should be robust. Constant alteration should not be required for successful operation. Rather, it should contain a wide variety of tools and models, which can be used in different situations and circumstances as they appear. In the EC research project “Undeclared Labour in Europe” a **toolbox of policy opportunities** is presented.
3. A key element in any policy combating undeclared work, in old as well as new EU Member States, should be the **strengthening of trust in government and government institutions**. This must be done on the basis of long-term efforts that are designed to strengthen community morale and increase confidence in public institutions. Changing attitudes is a very important instrument in the struggle against undeclared work, since control measures, *inter alia* due to insufficient resources, can never by themselves eliminate the problem.
4. Two important measures when it comes to achieving a positive change of attitudes are to launch **information campaigns** against undeclared work in the various countries and for them to adopt – in cooperation with the EU – a **code of ethics** for those who work in the public sector. It is also vital that the EU promote the development of a similar code of ethics in the private sector, in close consultation with social partners. As regards the public sector, then, measures should be taken to prepare a code of ethics, i.e. a codified summary of ethical behaviour and codes of conduct for officials in the public sector. Well defined and concrete ethical guidelines should be drawn up for employees both in public administration and in publicly owned companies. As regards influencing attitudes, information is the key. Therefore, campaigns should be launched throughout the various countries. Such campaigns should be adapted to national or even

regional circumstances. The purpose of this would be to increase public confidence in and commitment to the financing of the welfare systems. In the new Member States, campaigns should be directed especially towards the younger population. They should be the pillars of transformation.

5. **Incentives for transformation of undeclared work** into formality should be improved. Voluntarily transforming undeclared work into legal labour should be attractive, in the sense of not posing a risk or cost. Member States should thus be stimulated to develop forms of formalisation, general or targeted, allowing illicit workers and illicit employers to make themselves known, along the lines of the Italian example. Individuals and businesses can be given a sort of amnesty for a specified period of time, offering them incorporation into the formal economy without fear of retribution.
6. The **connection between taxes and benefits must be made clearly visible**. Member States should clarify this connection, to enable citizens rapidly and easily to perceive the returns, in terms of services, of money paid in taxes. One example is the development of a pension system where there is a clear relation between the money earned and the building up of pension claims, like in many West European countries.
7. **Participation must be simple**. When an individual is wanted for hire, formal demands and routines for establishing a legal employment relationship should be kept to a minimum. Unnecessary bureaucracy both breeds a sense of alienation, reducing incentives for participation, and poses practical obstacles that some employers and employees will not find it worthwhile to overcome. Instead, they will refrain from participation in the common project. The Belgian scheme with service vouchers and the German € 400 jobs are good practices in that respect. As in the previously mentioned Italian example, in the new Member States and candidate countries an organisation can be established to help small-scale entrepreneurs “surface” from undeclared work. The system of tutors appears to be a good practice. Entering the formal economy as an entrepreneur should be attractive in economic terms and not be hindered by bureaucratic obstacles. Simple new legal forms, like the German Me-Inc., can be an incentive in this regard.
8. In the new Member States and candidate countries there is a high **correlation between the size of undeclared work and the general income level**: general economic development works against informality, while poverty and weakness of reforms contribute to its growth. Therefore, in the less advanced of the new Member States and candidate countries, efforts should be targeted primarily at **state formation, development of democratic institutions and stabilization of the socio-economic situation in general**. Policy targeted towards undeclared work is of later concern.

9. However, there are other factors to be seriously considered, namely **cultural traditions**, which in certain countries may keep undeclared work at a relatively high level in a long-term perspective, independent of institutional regulations or economic success. In such cases, it would be misleading to expect quick results from any policy mix, introduced on the national or international level.
10. Among cultural factors in the new Member States and candidate countries there are **those resulting from the socialist past and those with roots still deeper in history**. The former are easier to overcome. Along with economic reforms and institutional changes, they clearly belong to the temporary effects of transition. The latter are more stable and more difficult to combat (even if policies to combat them will be finally introduced).
11. For the new Member States, extra measures may be needed. Promoting **foreign investments, trade and other forms of more close integration into EU** can be expected to have a positive effect. This should be a double-sided process: promoting the western side to do it, and stimulating eastern European governments to encourage it. In this respect, it is important to be cautious of sensitivities that stem from the socialist period (viz. exploitation by “the West”).
12. In order to compare the various countries and their informal labour, **a common definition** must be applied in the Member States of the Union. In addition, there is a need for **common methods of data collection**.
13. It is our opinion that the Union should recommend countries to gather data using a combination of methods, but we want to underline the **importance of direct methods**. This paves the way for stable and effective use of resources.
14. Very little empirical data is available on the position of women in undeclared work. This makes it hard to formulate policy recommendations on the topic. There is a clear need for **more research** on the position of women in undeclared work.

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Appendix 1 Questionnaire: undeclared labour⁸⁰

Dear Sir, dear madam,

The European Commission, DG Employment and Social Affairs, assigned INREGIA from Sweden to carry out a study into undeclared labour. REGIOPLAN from the Netherlands is co-operating with Inregia in this research. Both companies have a broad experience in policy research. Regioplan conducted the European research on underground labour in 2000⁸¹. The research report contains a description and an analysis of the policies tot combat undeclared labour work in seven Member States of the European Union: France, Germany, Italy, The Netherlands, Spain, Sweden and the United Kingdom.

The 2003 research focuses on the following specific items of the underground economy:

1. The statistical definition, measurement and estimates on the size of underground work in the EU and Member States.
2. The underground production in the candidate countries and the impact on the labour market
3. The gender dimension of underground work
4. The identification of good practices and how to improve policy to transform underground production into formal employment.

Attached is a short paper on the concept of undeclared work written for this study as well as a letter of recommendation of Mr. G. Fischer from the DG Employment and Social Affairs of the European Commission.

We hope you can help us collecting the necessary information by answering the questions on the next page. Part of the requested information about undeclared labour is related with the exhaustiveness of the national accounts. If you cannot answer all the questions we are very pleased if you can forward this email to the person within your organisation who may be able to provide the requested information.

We would appreciate to receive your reply as soon as possible by email at meijer@regioplan.nl or by fax at Regioplan, attn. R. Meijer, fax number +31 20 626 5199.

Do you have any questions please do not hesitate to contact Remco Meijer or Piet Renooy at telephone +31 20 531 5315 or by e-mail meijer@regioplan.nl.

Yours sincerely,

Remco Meijer

⁸⁰ Within the European Union the terminology of undeclared work is used when mentioning the underground and informal production in terms of labour force.

Definition, size and measurement

1. Which definitions do you use in your country for underground production, informal production and undeclared/underground labour?
2. What are the most recent estimated sizes of underground production in terms of GDP and labour-volume (in percentage of the labour force and fte) within your country?
3. Which measurement methods (and researches) have been used in your country to come to this estimated size(s)?
4. Who did the estimations? Did you undertake any estimation-calculations? If so, can you please forward them? If not, do you plan to do estimation-calculations?
5. What do you see as the strongest and the weakest point(s) of the mentioned measurement methods used in your country?
6. To what extent is undeclared/underground labour covered by standard labour force surveys and other employment surveys in your country?
7. To what extent do you think the undeclared/underground labour can be transferred to formal declared labour within your country? Why?

Backgrounds of undeclared labour

8. What reasons can be identified for the existence of undeclared/underground labour in your country?
9. What is the top 5 of reasons for undeclared/underground labour?
10. What is the division of labour between women and men regarding undeclared/underground labour?
11. What kind of activities mentioned as undeclared/underground labour do women do (sectors, occupations)?

⁸¹ http://europa.eu.int/comm/employment_social/docs/undeclared_labour.pdf

Appendix 2 Questionnaire: undeclared labour⁸²

Dear Sir, dear madam,

The European Commission, DG Employment and Social Affairs, assigned INREGIA from Sweden to carry out a study into undeclared labour. REGIOPLAN from the Netherlands is co-operating with Inregia in this research. Both companies have a broad experience in policy research. Regioplan conducted the European research on underground labour in 2000⁸³. The research report contains a description and an analysis of the policies tot combat undeclared labour work in seven Member States of the European Union: France, Germany, Italy, The Netherlands, Spain, Sweden and the United Kingdom.

The research in 2003 focuses on the following specific items of the underground economy:

1. The statistical definition, measurement and estimates on the size of underground work in the EU and Member States.
2. The underground production in the candidate countries and the impact on the labour market
3. The gender dimension of underground work
4. The identification of good practices and how to improve policy to transform underground production into formal employment.

We hope you can help us collecting the necessary information by answering the questions in the attached questionnaire. If you cannot answer all the questions we are very pleased if you can forward this email to the person within your organisation which may be able to provide the requested information.

Attached are a short paper on the concept of undeclared work written for this study, a letter of recommendation of Mr. G. Fischer from the DG Employment and Social Affairs of the European Commission as well as the questionnaire.

We would appreciate to receive your reply as soon as possible by email at meijer@regioplan.nl or by fax at Regioplan, attn. R. Meijer, fax number +31 20 626 5199.

Do you have any questions please do not hesitate to contact us at telephone +31 20 531 5315 or by e-mail meijer@regioplan.nl.

Thank you for your co-operation,
Yours sincerely,

Remco Meijer

⁸² Within the European Union the terminology of undeclared work is used when mentioning the underground and informal production in terms of labour force.

⁸³ http://europa.eu.int/comm/employment_social/docs/undeclared_labour.pdf

Definition, size and measurement

1. Which definitions do you use in your country for undeclared/underground labour?
2. What are the most recent estimated sizes of underground production in terms of labour-volume (in percentage of the labour force and fte) within your country?
3. Which measurement methods (and researches) have been used in your country to come to this estimated size(s)?
4. Who did the estimations? Did you undertake any estimation-calculations? If so, can you please forward them? If not, do you plan to do estimation-calculations?
5. What do you see as the strongest and the weakest point(s) of the mentioned measurement methods used in your country?
6. To what extent is undeclared/underground labour covered by standard labour force surveys and other employment surveys in your country?
7. What percentage of the current volume of undeclared labour do you think can be changed into declared labour within your country? Why?

Backgrounds of undeclared labour

8. What reasons can be identified for the existence of undeclared/underground labour in your country?
9. What is the top 5 of reasons for undeclared/underground labour?
10. What is the division of labour between women and men regarding undeclared/underground labour?
11. What kind of activities mentioned as undeclared/underground labour do women do (sectors, occupations)?
12. Exists a government policy for undeclared labour in your country? If so, could you give a brief description?

Appendix 3 Invitation to conference on undeclared labour

Under the authority of the European Commission, Inregia (Sweden) and Regioplan (The Netherlands) are conducting an in-depth study of specific items regarding undeclared work in EU and the group of new countries expecting to join the EU the coming years.

We have been working since the end of April 2003 and the project has reached the end of the first phase. This means that we have collected data and other information regarding the extent and structure of undeclared work and on policy issues in the field.

The next step is to bring together researchers and experts that contributed or can contribute to the project in a conference, where the findings can be discussed and the knowledge and experience of the experts can be exchanged, summarized and combined in order to reach synergy effects.

During the seminar we will put the new insights from the acceding eastern European countries into a perspective based on the experiences from studies from western, northern and southern Europe. This will serve as a kind of benchmark on matters regarding size, structure, gender perspectives et cetera.

Participants to the seminar will be experts from the new Member States, experts from other countries, representatives of the EU and possibly from social partners like employer organisations and trade unions.

You are an expert in the field and we have great pleasure in inviting you to this conference. The conference will be held in Malmö, Sweden on the 20th and 21 of November 2003.

The conference will start at 14.00 Thursday November 20 and finish at 17.00 Friday November 21. We arrange dinners and other social activities Thursday and Friday nights. This means that you have the opportunity to stay two nights and leave Sweden on Saturday November 22.

The conference can be easily reached from Kastrup Airport, Copenhagen (Denmark) or Sturup Airport, Malmö (Sweden). Further information on the arrangements, agenda and conference materials will be sent to you in the end of this month.

We would like you to confirm your participation as soon as possible and latest Wednesday October 1. Confirmation can be sent by e-mail or post to the addresses below.

You are very welcome to Malmö in November, and we look forward to meeting you for interesting meetings and discussions!

Malmö, 17th September 2003

Staffan Ivarsson
Project leader

Inregia Performance AB
Rundelen 3
211 36 Malmö
Sweden

Fax: +46 40 - 12 42 30
E-mail: staffan.ivarsson@inregia.se

Appendix 4 Conference information Malmö 2003-11-20

November 20-21 in Malmö, Sweden

Dear Madam/Sir,

You are warmly welcome to the two-day seminar on the status of undeclared labour in current and future members of the European Union, hosted by Inregia and Regioplan.

The conference will have four main points of focus:

- The statistical definition, measurement and estimates on the size of undeclared labour in the EU15 and the new Member States.
- Undeclared labour in the accession countries
- The gender dimension of undeclared labour
- Identification of good practices, how to transform undeclared labour into formal employment.

Along with making an assessment of the current status of undeclared labour in current and future EU Member States, an important objective of the conference is to discuss possible policies on combatting it. Presentations will be held on the situation in various countries, on theoretical and technical aspects of the concept and on best practice implementation. The presentations will be used as input for discussion in smaller working groups (up to 5-6 persons each) in the afternoon of the second day of the conference. The objective of those groups is to come to recommendations for successful policies in coming to terms with undeclared labour.

I look forward to meeting you in Malmö for a few days of stimulating discussion and a hopefully very productive seminar.

Warmest regards,

Staffan Ivarsson

+46 (0) 70 747 00 76

staffan.ivarsson@inregia.se

For any remaining issues or questions regarding the conference and its surrounding arrangements, please do not hesitate to contact our administrative officer.

Peter Zetterström

+46 (0) 73 590 27 54

peter.zetterstrom@inregia.se

Inregia

Rundelen 3

S-211 36 Malmö

+46 (0) 40 30 25 14

The conference program
Day one (November 20)

- 14.00 – 14.15 Opening ceremony. Mrs. Els van Winckel (CEC), Mr. Staffan Ivarsson (Inregia)
- 14.15 – 14.45 Introduction to the project. Mr. Piet Renooy (Regioplan)
- 14.45 – 16.45 Country presentations:
Czech Republic: Mr. Jaroslav Kux
Bulgaria: Dr. Evgenii Dainov
Estonia: Dr. Alari Purju
Lithuania: Ms. Aneta Piasecka
- 16.45 – 17.15 Summary and discussion. Dr. Olga van der Wusten-Gritsai (Netherlands)
- 17.30 Closing of the day. Mr. Staffan Ivarsson (Inregia)
Evening program. Dinner. Events

Day two (November 21)

- 9.00 – 9.15 Opening of the day
- 9.15 – 10.45 Good Practices in Western countries
Italy: Mr Onofrio Nacci (to be confirmed)
Germany: Dr. Arne Baumann
Sweden: Mr. Alf Höglind
- 10.45 – 11.15 Coffee break
- 11.15 – 11.40 Summary of and discussion around the European situation
- 11.45 – 12.15 The gender dimension. Dr. Birgit Pfau-Effinger (Germany)
- 12.15 – 13.15 Lunch break
- 13.15 – 13.45 Measurement and results. Mr. Sören Pedersen (Denmark)
- 13.50 – 14.20 Statistical methods and policy development. Dr. Brugt Kazemier (Netherlands)
- 14.20 – 14.45 Questions and continued discussion
- 14.45 – 15.15 Tea break
- 15.15 – 16.00 Group workshops on possible short and long term policy measures
- 16.00 – 17.00 Group presentations and discussion
- 17.00 – 17.20 Reflection. Mrs. Els van Winckel (CEC)
- 17.20 Closing the conference. Mr. Staffan Ivarsson (Inregia)
Evening program. Dinner. Events

Participant list

Project leadership

Mr. Staffan Ivarsson, B.Sc. *Project leader*

Senior consultant
Inregia Performance
Sweden

Dr. Piet Renooy, Ph.D. *Co-Project Leader*

CEO
Regioplan Policy Research
Netherlands

Dr. Olga Gritsai, Ph.D.

Visiting professor
Institute of Social Geography, University of Amsterdam
Netherlands

Mr. Olle Löfgren, M.A.

Senior consultant
Inregia Structure
Sweden

Mr. Remco Meijer, M.A.

Senior researcher
Regioplan Policy Research
Netherlands

Mr. Peter Zetterström, M.Sc.

Consultant
Inregia Performance
Sweden

European Union

Mrs. Els van Winckel, M.A.

Principle administrative officer
Unit A1, DG Employment & Social Affairs, European Commission
European Union

Mr. Paul Konijn, Ph.D.

Administrator
Statistical Office of the European Communities (Eurostat)
European Union

Reference group on estimates of the size of undeclared work

Dr. Brugt Kazemier, Ph.D.

Manager

Section for Statistical Development, Dutch Central Bureau of Statistics

Netherlands

Mr. Sören Pedersen, M.Sc.

Senior Researcher

Rockwool Foundation Research Unit

Denmark

Country experts

Ms. Julia Alasheyeva, M.Sc.

Research fellow

Baltic International Centre for Economic Policy Studies

Latvia

Dr. Arne Baumann, Ph.D.

Referent für Arbeitsmarktpolitik

Bundestagsfraktion Bündnis 90/Die Grünen

Germany

Prof. Evgenii Dainov, Ph.D.

President

Centre for Social Practices

Bulgaria

Mr. Michal Gorzynski, M.Sc.

Vice president

Case Advisors

Poland

Dr. Anton Gosar, Ph.D.

Dean

Faculty of Humanities, University of Primorska

Slovenia

Dr. Viera Hajnovicava, Ph.D.

Head of research group

INFOSTAT

Slovakia

Ms. Mileda Horáková, M.A.

Senior Researcher

Research Institute for Labour and Social Affairs, Charles University

Czech Republic

Mr. Alf Höglind, M.A.

Head of unit

Special Audit Unit, Malmö Tax Authority

Sweden

Dr. Zoltan Kovács, Ph.D.

Senior research fellow
Geographical Research Institute, Hungarian Academy of Sciences
Hungary

Mr. Jaroslav Kux, M.A.
Senior Researcher
Research Institute for Labour and Social Affairs, Charles University
Czech Republic

Dr. Maria Pancheva, Ph.D.
Executive director
Centre for Social Practices
Bulgaria

Ms. Aneta Piasecka, M.A.
Senior policy analyst
The Lithuanian Free Market Institute
Lithuania

Prof. Birgit Pfau-Effinger, Ph.D.
Professor
Institute for Sociology, University of Hamburg
Germany

Mr. Dan Platon, M.Sc.
Regional development expert
Bucharest-Ilfov Regional Development
Romania

Prof. Alari Purju, Ph.D.
Dean
Faculty of Economics and Business Administration, Tallinn Technical University
Estonia

Dr. Onofrio Nacci, Ph.D.
Economist
National Committee on Undeclared Labour
Italy

Practical details

Since the completion of the great bridge, communication between the cities of Copenhagen and Malmö is very good. The old ferries have been replaced by high-speed trains departing every 20 minutes from Kastrup airport (between 06.00 and midnight every day; hourly throughout the night). The trip across itself requires a mere 22 minutes before one can descend at Malmö Central train station. Precise times can be obtained at www.tagplus.se. Tickets cost € 9 at the counter but can be bought on board the train for a € 3 surcharge.

The conference will be held at the Comfort Hotel Temperance in downtown Malmö, and this is also where we have reserved accommodation for those participants who so required. The hotel is conveniently located at a few minutes walking distance from the Central train station.

Comfort Hotel Temperance

Address: Engelbrektsgratan 16, 211 33 Malmö
Phone: +46 40 710 20
Fax: +46 40 30 44 06
Email: temperance@comfort.choicehotels.se
Web page: www.choicehotels.se

For any problems or emergencies getting to and from Malmö, don't hesitate to call

Peter Zetterström +46 (0) 73 590 27 54
Staffan Ivarsson +46 (0) 70 747 00 76

Malmö city

Since its beginnings in the 13th century, Malmö has been the commercial centre of southern Sweden, and an international city, with close ties to Denmark, Germany and other parts of Europe. Today this international character is expressed by the fact that the city's 265 000 residents speak some 100 languages and belong to 164 different nationalities.

Malmö is also undergoing the transition from industrial city to city of knowledge. Older industries have been replaced by investments in new technology and training programmes of high calibre. Malmö University, which opened in 1998, is Sweden's latest venture in the field of higher education, accommodating some 15 000 students.

The strongest sectors in Malmö are logistics, retail and wholesale trade, construction, and property. There are also a number of well-known companies within biotechnology and medical technology, environmental technology, IT, and digital media fields. Co-operation between colleges, science parks, and companies provides a sound basis for entrepreneurs and creative development in Malmö.

Despite being situated in the very south of Sweden, in November the temperature in Malmö may drop towards the freezing point, so participants from southern countries may want to make sure not to be too lightly dressed.

Appendix 5 Conference information Brussels 2004-05-06, Agenda in English and in French

The agenda in English:



EUROPEAN COMMISSION

EMPLOYMENT AND SOCIAL AFFAIRS DIRECTORATE-GENERAL

DG EMPL-A Employment and ESF Policy co-ordination

Unit **EMPL.A.1 – Employment analysis**

Brussels, 6 May 2004

D (2004)/ GF/EVW

UNDECLARED WORK IN AN ENLARGED UNION

AGENDA

Brussels, Thursday 6 May 2004

Albert Borschette Conference Centre, Rue Froissart 36, 1040 Brussels

The seminar is organised by DG Employment and Social Affairs (EMPL), in cooperation with EUROSTAT. It aims at presenting research on undeclared work and the informal economy funded under the EIM (Employment Incentive Measures Programme). The results of the research will be debated in a policy context, with particular reference to the European Employment Strategy, in particular the Employment Guidelines, and the Council Resolution on Transforming Undeclared Work.

9.00 **Venue/Coffee**

9.30 **Welcome address**

- **Peter Stub Jorgensen**, European Commission, Director of DG EMPL, Directorate "National Employment and Social Inclusion Monitoring and ESF Operations I"
- **Brian Newson**, EUROSTAT, Head of unit EUROSTAT, Unit "National Accounts"

Chairperson of the seminar: **Egbert Holthuis**, European Commission, Deputy Head of unit ff, DG EMPL, unit "Employment analysis"

Thematic Session I: Undeclared work in the new Member States, Bulgaria and Romania

9.50 **Undeclared work in the new MS and 2 candidate countries - causal factors, problems, approaches to solutions – Prof. Olga Gritsaï**, University of Amsterdam, NL, co-ordinator of research on undeclared work in

the new Member States and candidate countries, REGIOPLAN (INREGIA study for DG EMPL)

- 10.10 **Undeclared labour in the new Member States: a picture of Poland – Dr. Michal Gorzinski** CASE-Doradcy, Center for Social and Economic Research, Warsaw, PL
- 10.25 **Undeclared labour in a candidate country: a picture of Bulgaria – Prof. Dr. Evgenii Dainov**, Chair of department "Centre for Social Practices" at the New Bulgarian University, Sofia, BG
- 10.40 **Question time & discussion**

Thematic Session II: Methods of measuring undeclared work/the informal economy

- 11.00 **Methods of measuring in the EU 15 – Staffan Ivarsson**, project leader and coordinator, INREGIA, Malmö, SE
- 11.20 **The Rockwool Foundation Survey on the shadow economy in Germany, Great Britain and Scandinavia – Soren Pedersen**, Economist, Rockwool Foundation, Copenhagen, DK
- 11.40 **Types of informal employment, the measurement problem and the tax collection problem – David Grubb**, OECD, Principal Economist, Employment Analysis and Policy Division, Directorate for Employment, Labour and Social Affairs
- 12.00 **Discussant: Dr. Aloïs van Bastelaer**, BE
- 12.15 **Question time & discussion**
- 12.40 **Lunchbreak**

Thematic Session III: Transforming undeclared work into regular employment: implementing the Council Resolution (October 2003)

- 14.10 **Information and exchange of views** with active participation of the representatives of the National Statistical Offices, the members of the EIM Committee and EMCO
Introduction by **Els Van Winckel**, European Commission, Principal administrator, DG EMPL, unit "Employment analysis"
Representatives of the Member States (National Statistical Offices, the members of the EIM Committee and EMCO) will be invited to comment and provide information as indicated in the invitation letter (questionnaire on the subject)
Comments and conclusion by **Antonio Baigorri**, Head of Unit, EUROSTAT, unit "Labour market statistics"

Thematic Session IV: The gender dimension of undeclared work - Transforming undeclared work into regular employment: good practice

- 16.00 **Gender and undeclared work in European arrangements on work and welfare - Prof. Dr. Birgit Pfau-Effinger**, Director, Centre Globalisation and Governance, Universität Hamburg, DE - Co-ordinator of the DG RTD project "Formal and Informal Work in Europe" (FIWE)
- 16.20 **Transforming undeclared work: the Belgian approach - Olivier De Cock** - Advisor "Employment", Policy Unit of F. Vandenbroucke, Federal Minister of Work and Pensions, BE
- 16.40 **Question time & discussion**

Concluding Session

- 17.00 **Summing up the discussions of the day - Staffan Ivarsson**, project leader and coordinator, INREGIA, Malmö, SE
- 17.15 **End of the seminar**

The Agenda in french:



COMMISSION EUROPÉENNE
DIRECTION GÉNÉRALE EMPLOI ET AFFAIRES SOCIALES
DG EMPL-A Coordination politique de l'emploi et du FSE
Analyse de l'emploi

Bruxelles, le 6 mai 2004
D (2004)/GF/EVW

TRAVAIL NON DÉCLARÉ DANS L'UNION EUROPÉENNE ÉLARGIE

ORDRE DU JOUR

Bruxelles, jeudi 6 mai 2004

Centre de Conférences Albert Borschette, Rue Froissart 36 à 1040 Bruxelles

Le séminaire est organisé par la DG "Emploi et affaires sociales" (EMPL), en coopération avec EUROSTAT. Il vise à présenter la recherche sur le travail non déclaré et l'économie informelle financée sous MIE (le programme de mesures d'incitation d'emploi). Les résultats de la recherche seront discutés dans un contexte politique, compte tenu notamment de la stratégie européenne pour l'emploi, notamment des lignes directrices pour l'emploi, et de la Résolution du Conseil concernant la transformation du travail non déclaré.

9.00 **Accueil/café**

9.30 **Allocution de bienvenue**

- **Peter Stub Jorgensen**, Commission européenne, directeur DG EMPL, Direction "Suivi de l'emploi national et de l'intégration sociale, mise en œuvre du FSE I"
- **Brian Newson**, EUROSTAT, Chef d'Unité EUROSTAT, Section "Comptes nationaux"

Modérateur du séminaire : **Egbert Holthuis**, Commission européenne, chef d'unité adjoint ff, DG EMPL, unité "analyse d'emploi"

Session thématique I : Travail non déclaré dans les nouveaux États membres, en Bulgarie et en Roumanie

9.50 **Travail non déclaré dans les nouveaux EM et 2 pays candidats – les causes, problèmes, solutions envisagées – Prof. Olga Gritsaï**, Université d'Amsterdam, NL, coordinateur de recherche sur le travail non déclaré

dans les nouveaux États membres et pays candidats, REGIOPLAN (étude INREGIA pour DG EMPL)

- 10.10 **Travail non déclarée dans les nouveaux États membres : un état des lieux de la Pologne - Michal Gorzinski**, CASE-Doradcy, Centre pour la recherche sociale et économique, Varsovie, PL
- 10.25 **Travail non déclarée dans un pays candidat : un état des lieux de la Bulgarie - Prof. Dr. Evgenii Dainov**, Président du département "Centre pour les pratiques sociales" à la Nouvelle Université Bulgare, Sofia, BG
- 10.40 **Questions et discussion**

Session thématique II : Méthodes pour mesurer le travail non déclaré/l'économie informelle

- 11.00 **Méthodes pour mesurer dans l'U.E des 15 - Staffan Ivarsson**, Coordinateur, INREGIA, Malmö, SE
- 11.20 **L'enquête de la Fondation Rockwool sur l'économie informelle en Allemagne, en Grande-Bretagne et en Scandinavie - Soren Pedersen**, Economiste, Fondation Rockwool, Copenhague, DK
- 11.40 **Types d'emploi informel, le problème des mesures et le problème de la collecte d'impôts - David Grubb**, OCDE, Economiste principal, Division "Analyse et politiques d'emploi", Direction pour l'emploi, main-d'oeuvre et affaires sociales
- 12.00 **Discutant: Dr Aloïs van Bastelaer**, BE
- 12.15 **Questions et discussion**
- 12.40 **Pause de midi**

Session thématique III : Transformation du travail non déclaré en emploi régulier : mise en oeuvre de la Résolution du Conseil (octobre 2003)

- 14.10 **Information et échange de point de vues** avec la participation active des représentants des Offices Statistiques Nationaux, les membres du Comité MIE et EMCO
Introduction par **Els Van Winckel**, Commission européenne, Administrateur principal, DG EMPL, unité "analyse de l'emploi"
Les représentants des États membres (les offices statistiques nationaux, les membres du Comité MIE et EMCO) seront invités à commenter et à fournir des informations comme indiquées dans la lettre d'invitation (le questionnaire sur le sujet)

Commentaires et conclusion par **Antonio Baigorri**, chef d'unité, EUROSTAT, unité "statistiques de marché du travail"

Session thématique IV : La dimension du genre du travail non déclaré - transformation du travail non déclaré en emploi régulier : bonnes pratiques

- 16.00 **Genre et travail non déclaré dans les dispositions européennes sur le travail et le système d'assistance sociale** par **Prof. Dr. Birgit Pfau-Effinger**, Directeur, Centre sur "Globalisation and Governance", Université de Hambourg, DE - Coordinateur du projet de la DG RTD "Travail formel et informel en Europe" (FIWE)
- 16.20 **Transformation du travail non déclaré : l'approche belge** - **Olivier De Cock**, Conseiller "Emploi", Cellule stratégique de F. Vandenbroucke, Ministre fédéral Emploi et Pensions, BE
- 16.40 **Questions et discussion**

Session de conclusions

- 17.00 **Résumé des discussions du jour** - **Staffan Ivarsson**, Coordinateur, IN-REGIA, Malmö, SE
- 17.15 **Fin de séminaire.**

Appendix 6 Conference information Brussels 2004-05-06
Participant list

SEMINAR "UNDECLARED WORK IN AN ENLARGED UNION"

Brussels, 6 May 2004

EMCO DELEGATES

BELGIQUE/BELGIË

Mr Francis SZABO
Conseiller général
SPF Emploi, Travail et Concertation sociale
Rue Belliard 51
B-1040 BRUXELLES

CESKA REPUBLIKA

Mme Eva RIHOVA
Department of Labour Market
Na Pořičním právu 1
128 01 PRAHA 2

DEUTSCHLAND

Mr Eckehart HAGEN
Ständige Vertretung
BRUSSELS

EESTI

Mme Ülle MARKSOO
Adviser to the Deputy Secretary General
Ministry of Social Affairs
Gonsiori 29
15027 TALLINN

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Appendix 7 Conference information Brussels 2004-05-06 Summary of speeches and discussions

The conference “Undeclared Work in an Enlarged Union” was held in Brussels the 6th of May 2004. The conference – which was organized by DG Employment and Social Affairs in cooperation with EUROSTAT - was divided into three thematic sessions. The first focused on undeclared work in the new member states and two candidate countries – Bulgaria and Romania.

The chairperson of the first thematic session – Mr. Egbert Holthuis, European Commission, Deputy Head of unit ff, DG EMPL, unit “Employment analysis – welcomed the participants.

Two opening addresses were given. The first was given by Mr. Peter Stub Jorgensen – European Commission, Director of DG EMPL, Directorate “National Employment and Social Inclusion Monitoring and ESF Operations” – explained that important research, financed by DG Employment, now will provide an input to policy-oriented activities of today. The aim of the conference is to bring together policy-makers, statisticians, researchers and Commission staff to enhance understanding on undeclared work. He also stressed that this is the first conference with the ten new Member States. The political awareness on undeclared work has increased significantly in the last two years, partly because there are obvious negative implications from this. The report presented at the conference will – together with another report financed by the European Commission on the subject – increase the understanding regarding these areas. He also reminded that the Commission had undertaken some action during the last years. Since 2001 the aim of reducing undeclared work became an important aim of the European Employment Strategy and in the Employment Guidelines. Last year, the Commission proposal on the new Employment Guidelines advocated the need to reinforce action by Member States aiming at transforming undeclared work into formal employment. Since then, undeclared work has a special place in the new guidelines with a priority of its own. It is a key issue for the Employment Strategy. The Member States are committed to develop and implement a broad policy mix to reduce undeclared work. Last year as well, the Italian Presidency made undeclared work as one of its main areas of action. The Commission highlighted the challenge of undeclared work in the Joint Assessment Papers. Mr. Peter Stub Jorgensen stressed that to tackle undeclared work, better governance is needed. This means in particular, beyond an adequate policy mix, better labour inspectorates, functioning Public Employment Services and better enforcement of sanctions. He closed by reminding that undeclared work has a very relevant gender dimension. It is even more gender segregated than regular work, which of course is a challenge when designing policy measures in the future.

The second welcome address was given by Mr. Brian Newson – EUROSTAT, Head of the unit “National Accounts” – and he explained that EUROSTAT is involved in this work on undeclared work from two perspectives: national accounts and employment statistics.

Mr. Newson explained that the topic of undeclared work is important for the national accounts since the Gross National Income is used for fixing member states contributions to the budget as well as entitlement to payments from the Union's budget. Measurement is crucial and the work to adjust national accounts isP important to get accurate pictures of the real situation.

Mr. Newson concluded that the overall data in the final report of the consultants seem plausible to Eurostat, although they remain by definition estimates that are difficult to verify precisely. They are certainly much more realistic than the numbers that are sometimes presented in the press, usually on the basis of dubious models.

Thematic Session I focused on undeclared work in the new Member States, Bulgaria and Romania. Prof. Olga Gritsai – member of the Inregia/Regioplan-team – made a presentation on the topic focusing causal factors, problems and approaches to solutions. For each of the central and eastern European (CEE) countries there are different estimates of the size of undeclared work, based on different methods. Sometimes they vary rather strongly. Looking at the scale and dynamics of undeclared work in CEE, we may clearly identify three groups of countries. The first consists of countries where the share of undeclared work is relatively low (about 8-13 % of GDP) and decreasing. This group includes the Czech Republic, Estonia and Slovakia. In the latter, the share of undeclared work has stabilized and started declining recently, while in the Czech Republic and Estonia it has been decreasing since the mid-1990s. These are countries where comparatively speaking the social and economic basis for informality has never been strong, and current governments have a higher chance of success in combating it (more trust in the state, higher civic conscience, better functioning legal systems). The second group consists of countries with a medium level of undeclared work (14-23 %), which in most of them is also decreasing since the mid-1990s. This group includes Poland, Slovenia, Hungary, Lithuania and Latvia. The third group consists of countries with a high and still increasing share of undeclared work (21-22 % according to NBS, but estimated by national experts and international organizations to be 30-37 %). This group includes Bulgaria and Romania, where undeclared work has a long tradition and the state is still too weak (or unwilling) to combat it. Most of the undeclared work in the post-socialist countries is concentrated to the same sectors as in the EU in general. The difference is in the share of sectors and in the processes driving their development. Characterising the forms of informal economy in the CEE countries, special attention should be paid to the wide-spread practice of “envelope wages”, where only the minimum wage is officially declared and an additional part is paid as cash in an envelope. This form of undeclared work exists in practically all of the CEE countries, but seems to be most common in countries with a lower level of economic development,

which are at an earlier phase of transition. Another important characteristic of undeclared work in the CEE new Member States and candidate countries is its *interconnection with legal business*. Small registered businesses, even if they themselves “play white”, often have subcontractors from the informal part of the economy. *Corruption* is especially emphasized by several experts (Bulgaria, Romania, Lithuania) as an important barrier on the way to democratic reforms and a factor that facilitates the functioning of a sizeable informal economy. Prof. Olga Gritsai concluded that there is a need for a variety of policy measures adapted to the specific situations in each country to get real effect while aiming at transforming undeclared work into formal work.

Dr. Michal Gorzynski – member of the special expert team focusing undeclared work in the new Member States – gave a picture of the situation in Poland. After the introduction of the System of National Accounts (SNA-93) in Poland, the Central Statistical Office (CSO) defined the informal economy as both hidden and illegal production and activity contributing to GDP. However, the CSO takes into consideration and estimates only hidden production. When it comes to characteristics of undeclared work and informal activity, almost 20 % of unregistered workers work permanently in the informal economy. The intensity of the informal activity depends on seasonality, intensified during the summer. The majority of the population working in the informal economy is male, but there are similar numbers of people participating in rural and urban areas. Almost half of unregistered workers are aged between 25 and 44 and most unregistered workers are poorly educated. Most popular informal jobs include gardening and farming, construction and installation, repairs and maintenance of buildings and installations. Most undeclared work is performed in parallel to official work. Factors that explain the existence and development of the informal economy in Poland include high social security contributions, cultural factors, complicated legal system, extensive bureaucracy, low efficiency in public administration, rules and regulations concerning women's employment, the structure of the agriculture sector and the extremely liberal pension regulations. Dr. Gorzynski concludes that the process of transforming undeclared work to declared work will positively be pushed forward by economic growth, improvement of the institutional environment, more restrictive pension law and, finally, by a reform of the agricultural sector in Poland.

Dr. Evgenii Dainov made a presentation on informality in Bulgaria and what policies to adopt when transforming undeclared work to declared work. In dealing with informal economy there is a series of sub-plots, and there is a bigger plot. Consequently, any policies addressed at formalising activities should not remain at a sub-plot level, but also address the main plot. Informal work is a sub-plot to informal economy. Informal economy is a sub-plot to “grey” economy and corruption, and, since everything feeds into the problematic of good governance, that itself is a sub-plot to larger, truly systematic developmental issues. The informal work sub-plot is difficult to tackle. When it comes to informal household destined work less could be done, but undeclared provision of

goods and services and the unregistered or semi registered hire of workforce could be influenced. Building on lack of perceived legitimacy, institutionalized responses and policies are possible here. When focusing the grey economy sub plot there are three realities. We are talking about household informal economic activity, grey economy proper and criminal economy. In terms of policy not much can be done about the informal household economy, but a stick and carrot policy has chances of success in terms of pulling actors out of the “grey” into the light of the formal economy. The criminal economy is a matter of law enforcement rather than economic or administrative policy. Most policy thinking in this part has been concentrated on institutional and administration related responses to informality. When it comes to the corruption sub plot, business might have increasing opportunities to avoid or minimize corrupt practices and stay legal and legitimate.

When it comes to the good governance sub plot it is necessary to define policy measures tackling all aspects of the way a country is governed, including its economic policies and regulatory framework. The policies will cover all aspects and therefore cover the complete arena of the big master plot. This is where the Inregia/Regioplan report makes a considerable contribution by organizing relevant factors into three groups; socio-economic/market, institutional and societal. For a policy to have sustainable results, all of these sub plots have to be addressed, as well as the three major arenas set out by Inregia/Regioplan.

In the question and discussion time there were several discussants directing questions about different kind of experiences from the new Member States and Bulgaria and Romania.

Thematic Session II focused on methods of measuring undeclared work and the informal economy. Mr. Staffan Ivarsson – the project leader for the Inregia/Regioplan study – made a presentation on methods of measuring in the EU 15. There are several methods to measure the extent of undeclared work. They can be grouped into direct methods, indirect methods and other modelling. The method most suitable for gaining information on unknown, partly hidden phenomena in society is a combination of observation and in depth interviews with key observers and participants. Using these techniques, it is possible to explore the characteristics of undeclared work, the motives of participants, the type of work, possible relations between sectors and so on. What is not possible through interviews and observation is to gain a statistically representative picture of different aspects of the matter. One means of getting that is to undertake large scale representative surveys in the way that the Danish Rockwool Foundation Research Unit has done. That method has an advantage; it makes it possible to compare different countries, something that the Danes have done. Direct methods, provided that they are carried out in a comprehensive way, are probably the best way to gather valid and reliable data on several aspects of undeclared work. Indirect methods are more commonly used to estimate the size of undeclared work. The essence of these methods is that they interpret observable phenomena as signs of the invisible part of the economy. We can distinguish five groups; discrepancy methods, degree of participation methods, electricity methods, monetary methods and modelling. Discrepancy methods emphasize the observation of differentials

between certain economic quantities. A common application involves measurement of differentials between observed spending and national income as calculated in the national account. The simplest and not to recommend – are the monetary methods. The quality is normally so bad that they deliver false pictures of reality. The best information about undeclared work in the different former EU15 is produced in different ways. Three groups were identified. The first is survey research by Rockwool Foundation (Germany, Sweden, Denmark, UK). The second is adjustments for exhaustiveness of national accounts (Austria, Belgium, Finland, France). The third is estimates on size made by national statistical offices (Italy, Netherlands and Portugal). During the seminar in Malmö in November 2003 the methodology question was discussed and a group of European experts together recommended the following methodological mix: Observations/interviews, Surveys, demand surveys and indirect methods. Direct methods are necessary, but the INREGIA study recommends that one uses a mix with several methods depending on the structure, characteristics and possibilities in each country.

Mr. Sören Pedersen made a presentation of the Rockwool Foundation Research Units (RFF) Surveys on the shadow economy in Germany, Great Britain and Scandinavia. In the book "The shadow Economy in Western Europe. Measurement and Results" (Study no. 5 from The RFF) from 1998 it is shown how difficult it is to compare the size of different Western countries. At the same time the Swedish National Audit Office contacted RFF and asked for help using the method in Sweden. After that, RFF conducted several studies in other countries. When all studies were made a clear picture of the phenomena could be seen. First, a clear gender dimension appeared. Men are far more active working undeclared than women. Mainly young people in each country are working undeclared. When it comes to structure the general impression is that we are mainly dealing with self employed, skilled workers. Regarding the unemployed, they participate to approximately the same extent than other people, although there are some differences between the countries. The undeclared salaries differ between the countries. Highest in Norway, followed by Denmark and with the lowest level in Germany. Women also on the market for undeclared work earn less than men. RFF will soon present new research on the gender gap regarding wages. The number of weekly average working hours differs from country to country with the highest number in Germany (8 hours) and lowest in Norway (4 hours). When considering undeclared work by industry we can see that in all countries except Germany most activities are carried out in the construction industry. Mr Pedersen showed that undeclared work correspond to 2-6 % of GDP in the five studied countries. He also showed figures made by Friedrich Schneider. These are on a much higher level in the range between 12-19 %. Mr. Pedersen explained why these figures not could be taken for serious figures. Mr. Pedersen also referred to new Danish research – conducted by Dr. Gunnar Viby Mogensen – showing that there are reasons to question that the size of the shadow economy is only influenced by taxes. In a new and extremely detailed book *Skattesnyderiets historia* – with an English summary – about the history of tax evasion in Denmark Dr. Gunnar Viby Mogensen has made new calculations of the discrepancy based on the national accounts. He is comparing total

personal incomes according to tax statistics with total personal net incomes based on the national accounts. This comparison shows that the figure for incomes according to the tax statistics is less than the derived from the national accounts. The results are interesting. After an increase in tax evasion after the war it has been declining ever since. NThis decrease has occurred together with a rising tax burden. All this is very interesting, also in light of the report presented by Inregia/Regioplan, since the same correlation seems to hold for the new member states.

Mr. David Grubb – OECD, Principal Economist, Employment Analysis and Policy Division, Directorate for Employment, Labour and Social Affairs – made a presentation about informal employment and how to promote transition to a salaried economy. He made clear how many subdivisions of categories there are. There are different types of employment and different kind of incomes/work. When it comes to measuring there are five categories to focus. First, there are interview surveys – for example that kind of studies that Rockwool Foundation has done. Second, there are benchmarking of regular surveys. Third, there are the national accounts. Fourth, there are theoretical tax calculations. Fifth, and finally, there are descriptive field work reports. The size of the informal economy remains fairly small in many high income countries, but in some (8) OECD-countries there are levels of around 15 % of GDP. In these 8 countries social security contributions are often 20 % lower than they would be if scheduled contribution rates were applied to all wages and salaries. According to Mr. Grubb tax evasion implies that scheduled tax rates are high, and/or low tax revenue is low – weakening government services and sharpening the incentives for evasion.. When it comes to causes Mr. Grubb meant that abolishing regulation not will solve the problem, it is more complex. A major motive for enforcement of employment regulations is to prevent work being falsely declared as low paid, part time or temporary, in order to evade taxes. However, middle-income countries are often locked into a situation where there is strict regulation of formal work, which leads to high levels of informal work. A policy transforming undeclared work to declared work should be designed by combining measures having to with governance, direct enforcement and changes of taxes.

Dr. Alois Van Bastelaer were discussant and made some remarks. The results shows that the problem of undeclared work is smaller in the western and northern parts of EU and bigger in the south and east. We also have learnt that the question of definition is complex. When it comes to methods we have seen three different versions. Mr. Staffan Ivarsson from Inregia shows how it is possible to use a combination of methods. Mr Sören Pedersen shows how it is possible to use one household survey method and by using it in several countries we get interesting results and comparisons. Mr. Grubb from OECD has shown how it is possible to use indirect methods, in particular a comparison of receipts of social security contributions with theoretical liabilities dependent on wages and salaries in national accounts. All methods in the three presentations have in common that they are straightforward statistical estimates of undeclared work, meaning that they are not based on modelling or assumptions about the relationship between a set of indicators and a

latent variable of undeclared work. It is important to be able to compare data between the countries, and the validity of the comparison depends on a variety of factors that must be taken into account.

In the discussion time there were several comments and questions about methods. Some meant that it is not possible to use only one method in a country and then apply it in another country. Different structures and cultures should – according to some persons – create measurement problems. Most people seems to agree on the very fact that a combination of methods is to prefer in this field.

Dr. Georg Fischer – European Commission, Head of unit, DG EMPL, unit “Employment analysis” – was chairman the second half of the conference day.

Thematic session III focused the question on how to transform undeclared work to declared work, implementing the Council Resolution (October 2003). An introduction was given by Mrs. Els Van Winckel – European Commission, Principal administrator, DG EMPL, unit “Employment analysis” – who gave a background to the policy area and the EU-process which focus on how to transform undeclared labour to declared labour. Dr. Georg Fischer lead a session where representatives from different national statistical offices gave their view on how they measure and other key issues. They did comment the answers they had given earlier in a questionnaire. The session gave a good insight and showed the variety of activities, methods and experiences that is to be found in the different EU-countries.

Mr. Antonio Baigorri – Head of Unit, Eurostat, unit “Labour market statistics” – made some comments after the session where representatives from the different statistical offices had given their views. The questionnaire responses indicated a range of techniques used to assess the scope of undeclared work. It is clear that the comparison of data from different sources can give important indirect information on the mismatch between declared and undeclared work. Key sources of information were, first, employment data from household and business surveys, second, social security contributions and, third and finally, tax registers. To take advantage of this information, an interdepartmental approach is required, which brings together, at a national level, the relevant authorities, including the following: Statistical Offices, Employment and Social Affairs Ministries, Social Security Organisations and Tax Authorities. In the discussion it was clear that in order to develop relevant policies in the field, there had to be thorough understanding of the role played by undeclared work in society and the socio-economic characteristics of the unregistered workers. To collect these elements, a direct survey is the most appropriate instrument. Several member states already have experience of direct surveys, as described in the Inregia/Regioplan report. For such surveys to work they have to work well in each country, they need to be tailored to the cultural and institutional characteristics of each country. The Commission has an important coordinating role to play in the field of undeclared work, particularly concerning the promotion of good practices and the exchange of methodologies and expertise. Already, member states have Considerable

experience in the development of exhaustive GDP estimate, which take into account undeclared and informal work. It is clear from the information supplied by Member States that there are wide differences between countries on the type and number of initiatives undertaken, as well as on the rate of progress. These differences stem from the variety of national attitudes towards undeclared work, which are linked to cultural, institutional and legislative practices. With such differences, it will prove difficult to achieve comparability at an EU level. However, it should be possible to make further progress on the harmonisation of basic concepts and definitions, leading to improved output harmonisation. Arising from the discussion under this section, specific recommendations for Member States and the Commission were identified. When it comes to the Member States they could, first, form interdepartmental groups to take advantage of existing sources and to take into account the relevant national circumstances, second, complete the DG EMPL questionnaire if this has not already been done, third, compare actual social security contributions with the theoretical liabilities, working at the sectoral level to improve comparability, taking into account the differing specifications of national social security systems. When it comes to the Commission they could, first, produce guidelines on what to measure to improve comparability, second, organize peer reviews and promote good practice, third and finally, use the results of this seminar and the outcome from interdepartmental discussions to establish the framework for further work in this area.

Thematic session IV focused on the gender dimension of undeclared work and on how to transform undeclared work into regular employment. Prof. Dr. Birgit Pfau-Effinger – Director, Centre Globalisation and Governance, Universität Hamburg, DE, Coordinator of the DG RTD project “Formal and Informal Work in Europe (FIWE) – gave a presentation about gender and undeclared work in European arrangements on work and welfare. Undeclared labour is an important issue in the development of arrangements of work and welfare in European society. Like formal employment, this type of employment is characterized by a deep gender division of labour. In research presented by Rockwool Foundation Research Unit the participation rate for females and men is shown to differ between the five countries that were studied. Denmark, Norway, Sweden, Germany and Great Britain were included in the research. The proportion of women in informal work varies between 5 and 12 % whereas that of men is between 10 and 30 %. The share of informal working men in the five countries is more than two times as high as that of women. The gender segregation of labour is closely linked to the structures of the gender division of labour in formal economy. There is also a gender division in relation to economical sectors: women are on the average more employed in private households, men in crafts business and farms. The informal labour market is also based on a gender dimension with respect to employment status. The jobs for women in the informal employment often reflects the low societal valuation that female household labour in the framework of the housewife marriage received. They are often low-skilled, exploitative and organized. Men's jobs in the field are treated more often as higher skilled, more rewarding and autonomous. In formal employment, the gender segregation of labour markets has

slightly changed, particularly because women have improved their labour market status. It seems that the informal employment sector is more characterised by a rather traditional type of gender division of labour, based on various kinds of manual work in crafts for men and in service for women. The Rockwool study for the five above mentioned countries shows that women earn less on the markets for undeclared labour, but the gender wage in undeclared hourly wages is surprisingly high in Great Britain, 89 %. In Denmark, Norway, Sweden and Germany it is 86 %, 68 %, 83 % and 73 %. In the field of informal employment of women for housework in private households, often migrants are employed to particularly low wages, for whom it is very difficult to compete in the labour market of their destination. Some main factors can be identified to have an impact on the development of informal employment of women in the field of household work. First, a strong cultural role of the housewife model of the male breadwinner family in history, mainly in the 1950s/1960s. Second, a cultural acceptance of subordinates “servants” in the household, often based on a long tradition of household servants in the upper classes. Third, the availability of low cost female labour. Forth, gaps in the welfare state provision of childcare and elderly care. Fifth, the missing availability of cheap labour for household work in formal employment. In sum, it seems as if the household based informal employment of women can be seen as part of the new lifestyle of the middle classes in western Europe, mainly in conservative and liberal welfare regimes. This lifestyle is in a way based on the exploitation of working class and migrant women as low cost labour. It could be argued that this type of work contributes to strengthen a traditional gender division of labour within employment for low-skilled and migrant women, which allocates these groups in a segment of traditionally female jobs, treated as unskilled, low paid and outside the protection of labour law and social security system. Even though, it should be considered that this type of employment also offers immigrants an option to be employed and to create a new global space of migration between their country of origin and the new country. It also offers women in countries with low unemployment benefits and strong restrictions to combine it with formal employment an option for an additional income and to maintain a reasonable standard of living and life.

Mr. Olivier De Cock – Advisor “Employment”, Policy Unit of F. Vandenbroucke, Federal Minister of Work and Pensions – made a presentation on how to transform undeclared work into regular work by using “Service Cheques” in Belgium. Mr. Cock explained the background to the Belgium policy, starting with the Lisbon strategy and the EES and he explained how the vouchers harmonised with the strategic approach that focus on how to attract more people to the labour market. That shall be done by making work pay, by solvabilisation of demand (service vouchers), by active labour market policy and, finally, by higher participation of women and low skilled people. The voucher can be used for different activities, for example cleaning, shopping, washing and more. A user is a person or family living in Belgium, but it is only for personal use. The price for a one-hour-voucher is 6,20 euro, and it is indexed from 2005. There is a 30 % tax deduction which gives a net price of 4,34 euro for the user. More than 40 000 users have bought vouchers,

which have created more than 4200 jobs in Belgium. All together 1 700 000 vouchers have been sold and there are more than 600 certified companies providing help. All kind of companies can register, but there are conditions for certification, for example no bankruptcy. The Belgium experience is good, and it shows that it is possible to white-wash undeclared work and get it into the files by arranging clever systems such as the Service Cheques.

Mr. Staffan Ivarsson – project leader for the project *An Analysis of Undeclared Work: An In-Depth Study of Specific Items* – summarized the discussions of the day. He stressed that there had been an interesting series of presentations during the seminar, and also many refreshing comments from participants during the sessions. Many experts share the view that measuring is important and that there is a need for efficient methods that create comparable results from each country and at the same time is characterised by low costs and easy and transparent results. Mr. Ivarsson also pointed out the very fact that measuring – and doing so over time – is necessary for all separate states within EU. The reason is that leading groups of politicians and civil servants within the administrations demand information about what is going on in the states. Do people pay their taxes? Do people want to pay taxes? Do people participate in the different ambitious programs that demand financing from taxes or fees? If to dimension an effective policy mix in each country, there is a need for relevant and qualitative data giving a picture about volumes, levels, quality, trends, structures and attitudes. To be able to serve responsible politicians with adequate information experts in each country – with guidelines and support from CEC – develop and implement systems for efficient measuring activities. It's like steering big companies, you got to know what is going on out there. Ten new members in the EU is the beginning of a process. We are talking about a process that will create economic growth and also more of multi cultural integration. To be able to create stability and growth at the same time we need to see an eagerness from the people to participate, and people must show that they believe in the consolidated systems that constitute each state. When people voluntarily start to transform undeclared work to declared work, then we know that people believe in the common political and economic project.

Dr. Georg Fischer – European Commission, Head of unit, DG EMPL, unit “Employment analysis” – finalized the seminar and directed special thanks to the participants of the conference, and also to the Inregia/Regioplan team that has made the extensive research and finalized the report that describe various aspects of undeclared work in the EU25. Dr. Fisher also directed special thanks to the researchers and experts constituting the network of experts that was linked to the Inregia/Regioplan team. Finally he directed special thanks to Mrs. Els Van Winckel who has been principal administrator at the CEC. She has made a great job keeping everything together and also made it possible to reach the goal in this big project. Now, the process of transforming undeclared work to declared work will continue in each Member State and within the European Union.

CE-V/1-04-021-EN-C