## Basic information

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|---|---|
| **1998/2082(COS)**<br>COS - Procedure on a strategy paper (historic) | Procedure completed |
| Undeclared work<br>**Subject**<br>4.15.03 Arrangement of working time, work schedules | |

## Key players

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|---|---|---|---|
| European Parliament | **Committee for opinion** | **Rapporteur for opinion** | **Appointed** |
| | FEMM Women's Rights | THEORIN Maj Britt (PSE) | 21/09/1999 |
| Council of the European Union | | | |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 07/04/1998 | Non-legislative basic document published | COM(1998)0219 | Summary |
| 23/10/1998 | Committee referral announced in Parliament | | |
| 19/07/1999 | End of procedure in Parliament | | |
| 29/08/2000 | Vote in committee | | Summary |
| 29/08/2000 | Committee report tabled for plenary | A5-0220/2000 | |
| 06/09/2000 | Debate in Parliament | | |
| 21/09/2000 | Decision by Parliament | T5-0402/2000 | Summary |
| 17/05/2001 | Final act published in Official Journal | | |

## Technical information

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| **Procedure reference** | 1998/2082(COS) |
| **Procedure type** | COS - Procedure on a strategy paper (historic) |
| **Procedure subtype** | Commission strategy paper |
| **Legal basis** | Rules of Procedure EP 148 |
| **Stage reached in procedure** | Procedure completed |
| **Committee dossier** | EMPL/4/10004 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee report tabled for plenary, single reading | | A5-0220/2000<br>OJ C 135 07.05.2001, p. 0012 | 29/08/2000 | |
| Text adopted by Parliament, single reading | | T5-0402/2000<br>OJ C 146 17.05.2001, p. 0020-0102 | 21/09/2000 | Summary |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Non-legislative basic document | COM(1998)0219 | 07/04/1998 | Summary |

**Other institutions and bodies**

| Institution/body | Document type | Reference | Date | Summary |
|---|---|---|---|---|
| EESC | Economic and Social Committee: opinion, report | CES0063/1999<br>OJ C 101 12.04.1999, p. 0030 | 27/01/1999 | |

# Undeclared work

1998/2082(COS) - 07/04/1998 - Non-legislative basic document

PURPOSE : This document is a Commission communication to the Member States, European institutions and the social partners concerning the issue of undeclared work. CONTENT : The concept of 'undeclared work' is taken to mean any paid activities that are lawful as regards their nature but not declared to the public authorities, bearing in mind that the differences in the regulatory system of Member States must be taken into account. Applying this definition, criminal activities would be excluded, as would work which does not have to be declared. Working in the undeclared economy offers the opportunity to increase earnings and to avoid taxation and social contributions or to reduce costs. There are three contributing factors : - a growing demand for 'personalised' services; - the re-organisation of industry into long lines of vertical disintegration and chains of sub-contracting; - the spread of light technology which opens up new working opportunities and new areas of service activities. Undeclared work is generally present in sectors which are labour-intensive and with low profits, such as agriculture, construction, retail trade, catering or domestic services; manufacturing and business services where costs are the major factor of competition; and modern innovative sectors. Four main groups of participants in the undeclared economy can be identified : 1) second and multiple job holders; 2) the 'economically inactive' population; 3) the unemployed; and 4) third country nationals illegally resident in the EU. The age and gender of undeclared workers depend to a large extent on the sectors affected. Undeclared work risks undermining the foundations of financing and delivery of social protection and public services. The curtailment of receipts means a reduction in the level of services the State can offer, and this creates a vicious circle, as the government raises taxes to continue to provide the services, thus creating more incentives to undeclared work. In countries where social protection coverage is universal or where individuals have rights derived from their partners, undeclared work may not affect health or pension rights. The same is true for second job holders. However, undeclared workers who are normally inactive forego all the benefits derived from working with a formal contract, such as training, a specific career profile, pay rises, a sense of belonging to the enterprise. These people will also have difficulty in moving to other jobs. The impact on enterprises is felt through the distortion of competitive conditions, especially at the micro-level. There are two dimensions to the problem of undeclared work : it can be viewed as an issue of individuals taking advantage of a system and undermining solidarity in the process, or as the outcome of greater flexibility in the labour market and slower adaptation of existing legislation. In the first case, intervention should be oriented towards sanctions and awareness campaigns; in the second case, policy should concentrate on prevention through adapting inappropriate legislation to reflect new labour market realities and reducing burdens and obstacles. The two dimensions are often difficult to separate. The establishment of a comprehensive targeted strategy is essential, according to the Commission, if combating undeclaredwork is to be effective. A strategy which is to have any effect on reducing undeclared work should involve a mix of elements. This policy mix will inevitably vary from one Member State to another. Effective implementation and enforcement remain an important part of the overall strategy whatever the measures chosen. This Communication aims to launch a debate on the causes of undeclared work and the policy options for combatting it. It suggests that there is, firstly, a need to identify correctly the causes and extent of the problem and, secondly, to regard combating undeclared work as part of the overall employment strategy. The Commission hopes and expects that the Member States, Community institutions and social partners will participate vigorously in this debate. An increased awareness of the causes and extent of undeclared work, the identification of best practices in combating it and the possibility of co-ordinated EU action should be considered in this context.

Implementation of several of the 1998 employment guidelines, such as those on developing entrepreneurship and encouraging adaptability, will help to discourage undeclared work. If the outcome of this debate indicates that further action at EU level would be appropriate, it could be considered in the context of the 1998 Joint Report and the Employment Guidelines for 1999.

# Undeclared work

1998/2082(COS) - 21/09/2000 - Text adopted by Parliament, single reading

In adopting the report drafted by Anne-Karin GLASE (EPP-ED, D), the Parliament called on the Member States to take both preventive and curative action against undeclared work through clear rules, changes in the burden of taxation and adequate check and penalties. Given the close links between the level of undeclared work, the level of tax and social security contributions and the degree of social protection, Member States are called upon to reduce tax and contribution levels and bring greater flexibility to the labour market. Member States are invited to make an inventory of the main sectors and population categories affected. The most effective types of measure should be combined on an action programme which would form a key part of the employment strategy. Governments, furthermore, should ensure that contracts for public projects are not awarded to firms whose bid is clearly based on undeclared work. Parliament calls on the Commission to devise methods for describing and registering the various forms of undeclared work and to assess their impact as well as to make more information available to decision-makers. European legislation needs to be taken into account in European legislation. Parliament also calls for the launching of a debate on the future form of social security systems with a view to curbing undeclared work, in the light of the changes caused by the development of communications technology and the flexibilisation of employment, as well as for suitable means and methods to be studied and developed in order to prevent non§declared work from infiltrating new ways of working (Internet, home-working, part-time working, etc.). Lastly, the EP calls on the Member States to introduce the right for the social partners to bring a collective legal action as a means of putting a check on undeclared work.