




European Platform Undeclared Work

# TOOLS AND APPROACHES FOR TACKLING UNDECLARED WORK IN THE CONSTRUCTION SECTOR

**Practitioner Toolkit from the  
Construction Seminar of the  
European Platform Undeclared Work**



**Davide Venturi**  
Adapt Senior Research Fellow

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## INTRODUCTION

### What is the toolkit about?

This toolkit provides a practical overview of the tools and approaches that Member States have developed to tackle undeclared work (UDW) in the construction sector. It includes factsheets on national and/or regional sectoral practices presented during the Platform Seminar on *Tackling undeclared work in the construction industry* (Brussels, 3<sup>rd</sup> May 2017), together with other relevant measures identified in the existing literature on tackling UDW in the construction sector.

Existing practices are considered against the policy framework presented in both the background paper and learning resource paper from the Platform Seminar on *Developing a holistic approach towards undeclared work* and in the learning resource paper from the Platform Seminar on *Tackling undeclared work in the construction industry*. However, there is recognition that “one size does not fit all” and that the type and balance of policy measures required in the construction sector may differ from those required in other sectors.

### Why is this topic important?

Some 19% of all undeclared work in the EU28 takes place in the construction sector<sup>1</sup>. Tackling undeclared work in this sector is therefore important, albeit more important in some Member States than others.

### What is the toolkit for?

The toolkit is produced for all actors and practitioners of the construction sector, in particular:

- policy makers;
- sectoral social partners both at EU and national level;
- labour inspectors;
- tax authorities;
- national social security authorities;
- practitioners; and
- experts of the labour market of the construction industry.

### How can the toolkit help me?

By using this toolkit you will be able to:

- become aware of the existing approaches and of relevant practical measures adopted in tackling UDW in the construction sector, both at national and cross-border level;
- consider a wider range of measures for your country than ones currently used;
- better evaluate the advantages and disadvantages of introducing new measures in your country; and
- select and implement new measures, benefiting from lessons learnt by countries that have directly experimented with similar measures.

### How should I use the toolkit?

This is intended to be a practical instrument for practitioners, with limited reference to theoretical issues and background analysis. For these issues, the reader should refer to the background paper and to the learning resource paper developed for the seminar held in Brussels on 3<sup>rd</sup> May 2017 titled *Tools and approaches to deal with undeclared work in the construction sector*. This practitioner’s toolkit completes the series of documents developed to accompany this event.

Chapter 2 provides a general overview of the types of UDW and different possible policy approaches. The different national and/or regional practices used are covered in chapter 3, organised by policy approach, namely: direct controls (deterrents and incentives), and indirect controls. Summary tables are provided throughout for ease of reference.

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<sup>1</sup> Cremers, J, Williams, C.C., Hawley-Woodall, J. and Nikolova, N. (2017) Tackling undeclared work in the construction industry: a learning resource, European Commission, Brussels.

## 1. SETTING THE SCENE: UNDECLARED WORK IN THE CONSTRUCTION SECTOR

The European Platform Undeclared Work organised a seminar in Brussels titled *Tools and approaches to deal with undeclared work in the construction sector*, with the participation of Platform members and observers from 21 EU Member States and Norway. The participants represented national competent authorities such as labour inspectorates, social security and tax and customs authorities, as well as the social partners of the construction industry at the EU level. After the seminar, a dedicated learning resource paper was produced presenting the main topics discussed and learning outcomes.

As discussed in this learning resource paper, while allowing for differences between Member States, the construction sector is widely understood as one of the economic sectors where undeclared work is more concentrated. Though the recourse to undeclared work is commonly accepted as a necessity for construction workers and not a deliberate choice, figures suggest that this may not always be the main driver. According to a special Eurobarometer survey (2013), 60% of the respondents state that in the construction sector the reason for recurring undeclared work is that both parties benefit from it.

Moreover, as emerged during the seminar, a wide range of types of undeclared work exist in the construction sector, including: totally undeclared work in informal undertakings, totally undeclared work in formal undertakings, bogus self-employment, envelope wages, and paid favours (further described in Table 1). These forms of undeclared work are quite different from each other, and the traditional “one size fits all” deterrent measures are not necessarily the most effective solutions to adopt in all cases.

That is why it is very important for policymakers to use the policy approaches and measures which are more consistent with the type of undeclared work performed, and which may better counter the drivers of undeclared work in this specific sector.

## 1.1 Types of undeclared work in the construction sector

Table 1 provides a brief classification of the major types of UDW present in the construction sector which can be tackled by the appropriate measures and policy approaches discussed in section 1.2 and chapter 2.

**Table 1**

Type of UDW existing in the construction sector	Notes: definitions, drivers and challenges
<p><b>Totally undeclared workers in informal settings</b></p>	<p>Workers are totally undeclared according to national rules. Businesses employing these workers are also undeclared/informal.</p> <p><b>Detection:</b> problematic as no official data on either businesses or workers are available in official databases.</p> <p><b>Drivers:</b> necessity more likely to be the main driver for workers, less so for employers/businesses.</p> <p><b>Main consequences:</b> total tax, social insurance and social security contribution evasion for workers; total tax and VAT evasion for businesses, including evasion of social insurance and social security contributions for all the workers employed.</p>
<p><b>Totally undeclared workers in formal settings</b></p>	<p>Workers totally undeclared according to national rules.</p> <p><b>Detection:</b> primarily through data sharing and data matching systems, if available. Traditional labour inspections and controls are the main measures generally adopted.</p> <p><b>Drivers:</b> necessity or choice can be the main drivers for both workers and employers/businesses, according to the specific situation.</p> <p><b>Main consequences:</b> total tax, social insurance and social security contribution evasion for workers; businesses do not act as withholding agents in relation to undeclared workers; and often other tax evasion and avoidance practices are carried out (e.g. VAT evasion or corporate tax evasion).</p>
<p><b>Envelope wages in formal settings (under-declared work)</b></p>	<p>Though workers are declared according to national rules, they receive a portion of their salary as an undeclared ('envelope') wage. This may be either for supplementary work for full time employees, or when employees are falsely declared as part-time. It may also occur when self-employed professionals solely declare only part of their remuneration, with the intent of evading tax and/or social security contributions.</p> <p><b>Drivers:</b> necessity is unlikely to be the main driver of envelope wages, as both parties may benefit from this practice; detection methods should take account of these possible mutual interests. For example, traditional interviews during on-site inspections may be quite ineffective as a result.</p> <p><b>Main consequences:</b> partial tax, social insurance and social security contribution evasion for workers; and partial direct tax evasion for businesses is also practiced.</p>

Type of UDW existing in the construction sector	Notes: definitions, drivers and challenges
<b>Bogus self-employment</b>	<p>Though definitions differ according to national context, the Court of Justice of the European Union (CJEU) offers this possible shared definition: person who, though hired as a self-employed person under national law, for tax, administrative or organisational reasons, acts under the direction of his employer as regards, in particular, his/her freedom to choose the time, place and content of his/her work, does not share in the employer's commercial risks, and, for the duration of that relationship, forms an integral part of that employer's undertaking, so forming an economic unit with that undertaking. <sup>2</sup></p> <p>Measures tackling bogus self-employment are different according to national regulations. In some countries they are more intended to recover tax and/or social security contributions, and in others more aimed at protecting workers, by extending employment regulation and protections to bogus self employed workers.</p> <p><b>Drivers:</b> necessity or choice can be the main drivers for both workers and businesses in choosing bogus self-employment, depending on the specific situation.</p> <p><b>Main consequences:</b> underpayment for workers; partial tax and social security contribution evasion; as well as VAT evasion. Workers are not granted the rights associated with the employment status.</p>
<b>Paid favours</b>	<p>Small works in private households, paid to neighbours, acquaintances and relatives. Differently regulated at national level (they can be considered as working activities or not, depending on the national context), they normally are paid cash in hand.</p> <p>In some countries this issue is undertaken using specific traceable contracts (e.g. mini jobs or vouchers).</p> <p><b>Main consequences:</b> possible tax evasion practices in marginal working activities.</p>
<b>Underpayment and UDW in supply chains</b>	<p>A specific driver of underpayment and UDW for workers in the construction industry is the consistent use of long supply chains. Such supply chains make potential exploitation more likely, both of businesses/self-employed professionals and of the employees engaged by businesses at the bottom of the chain.</p> <p>In some countries specific deterrent measures are implemented to coordinate liabilities between the subjects of the chain (e.g. specific obligations placed on the main contractor, joint and several liability (JSL) regulatory systems).</p> <p><b>Drivers:</b> necessity more likely to be the main driver both for employers/businesses and for employees/self-employed workers.</p> <p><b>Main consequences:</b> practices of totally undeclared work or under-declared work; bogus self-employment; tax and social insurance/social security contributions evasion (see the boxes above).</p>

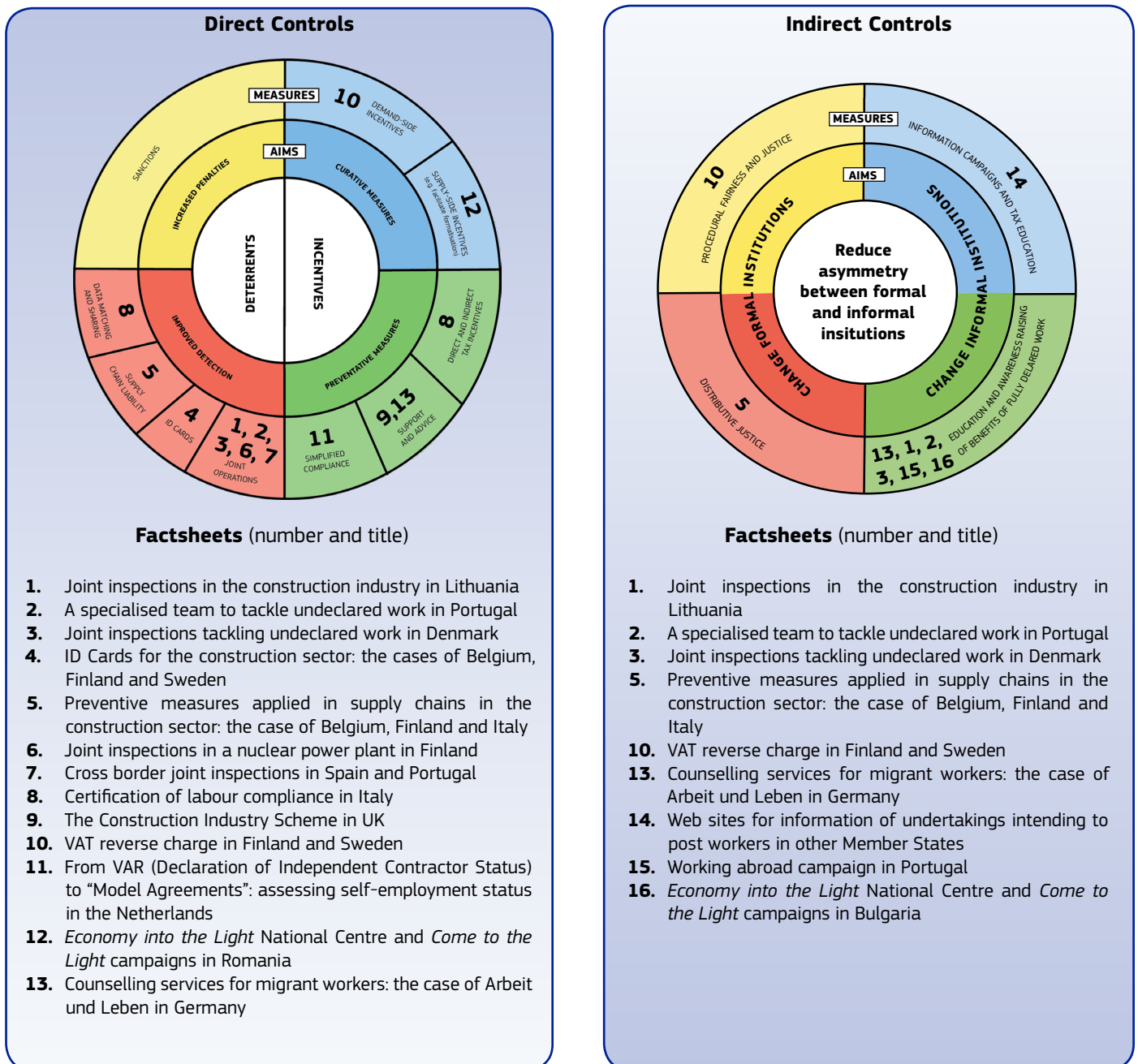
<sup>2</sup> CJEU, Case *FNV Kunsten Informatie en Media c. Staat der Nederlanden* C-413/13

## 1.2 Approaches and Measures

Using the policy classification from the papers relating to the Platform Seminar on developing a holistic approach towards undeclared work, Figure 1 presents a brief summary of the factsheets (selected and reported in chapter 2). They refer to national measures/actions, some of which included aspects that meet different policy criteria and are cited more than once.

Though deterrent measures are used more frequently by national competent authorities in tackling undeclared work in the construction industry, incentive measures are also sometimes employed, as are indirect measures.<sup>3</sup>

Figure 1



<sup>3</sup> For more on deterrent measures see Cremers, J, Williams, C.C., Hawley-Woodall, J. and Nikolova, N. (2017) *Tackling undeclared work in the construction industry: a learning resource*, European Commission, Brussels. p.9



## 2. NATIONAL MEASURES AND TOOLS DEALING WITH UNDECLARED WORK IN THE CONSTRUCTION SECTOR

Direct controls seek to reduce the costs and increase the benefits of compliance. These approaches, widely used in all Member States in tackling undeclared work in the construction industry, are based on the assumption that the actors of the labour market can be considered as rational economic operators. Therefore their actions are assumed to depend on the expected pay-off between compliance and non-compliance. If they expect non-compliance to pay, they will be non-compliant. Whereas if they believe the costs of non-compliance are more than its benefits, they will comply.

### 2.1 Direct Controls - Deterrence

#### Approach: measures and examples of practices adopted

The deterrence approach is the most traditional of direct controls; it uses measures intended to increase the costs of non-compliance. The methods linked to deterrence are based on the following:

- **Deterrence by sanctions.** Sanctions are considered a deterrent by rational actors if they produce unacceptable costs compared with the benefits of non-compliance.  
**Measures adopted in the construction sector:** penalties (criminal or administrative sanctions, depending on the national legal system); blacklisting non-compliant employers, temporarily preventing them from participating in public procurement tenders; and joint and several liability (JSL) rules in subcontracting chains ('contract based' or 'chain based' JSL).
- **Improvement of detection measures.** Rational actors tend to choose non-compliance when detection and/or punishment appears ineffective or is unlikely.  
**Measures adopted in the construction sector:** inspections on construction sites; joint inspections between competent authorities; mandatory preventive declaration of workers; mandatory preventive notification of construction sites and of the businesses attending a construction site; ID cards (voluntary or mandatory); peer-to-peer surveillance (obligation of the main contractor towards compliance of subcontractors); data sharing and data matching systems.

#### Focus 1: Organising effective monitoring and controls of a construction site

At the seminar, a workshop was devoted to the specific techniques of monitoring and performing labour inspection on a construction site. The peculiar characteristics of construction sites which can affect the approach required include the following:

- businesses and workers, employees and self-employed professionals are often temporarily present on the construction site, depending on the works they are engaged in;
- construction sites are often unfenced, so that the workers' presence in the site cannot be easily controlled;
- small construction sites in clients' private homes are often not declared to public authorities, making detection more difficult than on other construction sites.

Effective controls therefore need specific methods and tools for enabling controllers to identify businesses, employees and self-employed professionals operating on the construction site, their presence in relation to works carried out, their remuneration, and the compliance of tax and social security duties related to the work performed.

#### Main findings

During the seminar some key issues were highlighted. Two main issues that were widely discussed included the challenge of tracing the money of those who work undeclared and national and transnational data exchange. Other important discussions are described below.

#### Inspections

The following observations on inspections were made:

- preparation and planning of inspections on construction sites is very important;
- inspections are triggered either by information from other bodies (e.g. police), previous inspections of long-lasting works in large construction sites, or information based on mandatory information disclosure duties;
- joint inspections may be key, particularly on large construction sites and for the detection of illegal work.

## Detection

Other issues raised on detection included:

- hotlines, websites, apps where people can report violations are needed;
- there is widespread use by labour inspectorates of tailored questionnaires or checklists (for construction employers, employees and self-employed professionals), which can trace who is working for whom; how long workers are operating on the construction site; working time, wages and remunerations; and correct use of untaxed allowances such as travel allowances, etc.;
- ineffective detection of bogus self-employment often requires on-site controls;
- data matching systems can help controllers in the on-site detection of totally undeclared work;
- on-site controls can involve high costs in terms of time and resources.

The problem of the cost-benefit ratio of joint direct audits was raised at the seminar by some of the present tax authorities (see factsheet no. 3), who reported that the results of direct audits in terms of final tax recovery is often not satisfactory.

## Focus 2: Tackling undeclared work in supply chains in the construction industry

A second workshop was dedicated to the challenges and the possible solutions to the recourse to undeclared work and/or workers exploitation in construction supply chains.

### Key challenges

The key challenges in tackling UDW in supply chains were identified as follows:

- identification of subcontractors in construction supply chains;
- the fraudulent practice of letterbox companies posting workers to different Member States from the one where they are registered;
- lack of labour inspectors carrying out inspections on construction sites;
- high levels of unemployment make workers accept bad working conditions;
- difficulty of finding evidence and effectively sanctioning violations through the ordinary tools of labour inspections.

### Solutions

Some possible solutions were presented and/or discussed between participants during the workshop:

- joint and several liability (JSL) systems in supply chains ('contract based' or 'chain based systems' JSL);
- duties of information disclosure for the main contractor applied to the employees of all the subcontractors and to the self-employed professionals involved in the chain (e.g. FI and BE);
- limitation of the number of subcontractors to three (the issue has been seriously discussed both in ES and in BE; NO has a limit of two);
- creation of blacklists of companies that can be excluded from public tenders (e.g. EE and IT).

## Factsheets 1-8:

The factsheets from 1 to 8 presented in this section are examples of deterrent measures adopted for tackling undeclared work in the construction sector.

**Table 2**

Deterrent measures	Aimed at	Concrete actions in factsheets
Construction sites joint inspections	Involving all the competent authorities in control	<ul style="list-style-type: none"><li>• Joint inspections at national level (factsheets no. 1, 2, 3, 6)</li><li>• Cross-border joint inspections (factsheet no. 7)</li></ul>
Deterrent norms in supply chains	Helping all the subjects of the chain to be committed to doing business with reliable and accountable partners	<ul style="list-style-type: none"><li>• Joint and several liability rules (factsheet no. 5)</li><li>• Certification of compliance (factsheet no. 8)</li><li>• Duties of information disclosure (factsheet no. 5)</li></ul>
ICT systems enabling data matching and data sharing	Identifying all the subjects present at work on construction sites, and sharing information with competent authorities in compliance of (administrative) duties	<ul style="list-style-type: none"><li>• ID cards for the construction sector: the cases of Belgium, Finland and Sweden (factsheet no. 4)</li></ul>

### **Joint inspections:**

The examples of labour inspection campaigns on construction sites presented below (factsheets no. 1, 2, 3, and 6) generally involve joint inspections between different competent national authorities in charge of different aspects of undeclared work. This includes labour inspectors working together with police officers or with officers of the tax authorities. In most cases these actions aim to tackle both undeclared work and non-compliance with Occupational Safety and Health (OSH) rules, widely acknowledged to also be an issue on construction sites, with undeclared workers frequently not granted correct OSH protection.

Joint inspections can also be used to tackle cross-border forms of undeclared work and fraudulent practices of posting. Factsheet no. 7 is dedicated to this specific issue, presenting the case of an international agreement (between Spain and Portugal) designed to activate joint inspections between the labour inspection authorities of the two countries involved.

### **ID Cards:**

Factsheet no. 4 compares three advanced national systems of ID cards for all workers operating on construction sites. In some Member States this has been a process of staggered implementation. They have been first introduced by the social partners of the construction sector as self-regulatory measures, based on voluntary compliance, before policymakers have made them mandatory, through enforced self-regulation. ID card technology enables both the data collection of information stored by ID users and other related professionals and also data sharing with the competent authorities in charge of monitoring and controls.

### **Deterrents in construction supply chains:**

Examples described include JSL systems (factsheet no. 5, a comparison of three different national systems); systems where compliance is jointly certified by the competent authorities and by a third body involving the sectoral social partners (factsheet no. 8); and systems where the main contractor of a construction site is in charge of data collection relating to subcontractors and self-employed professionals operating in the supply chain (factsheet no. 5).

All these measures/actions may also be regarded as 'preventative deterrents', as they are not only meant to directly punish non-compliance once detected, but also to encourage businesses to engage in declared work and responsible conduct towards the subjects of the supply chain, by imposing sanctions in case of non-compliance.

## **LESSONS LEARNED**

**Adequate ICT investments are necessary for modern labour inspection services; data sharing and data matching support more effective on-site controls of the regularity of the workers and businesses present at the construction site, enabling better inspections to be carried out.**

**Administrative cooperation between competent authorities in charge of tackling UDW is vital at both national and cross-border levels, particularly when dealing with additional non-compliance in other areas (e.g. OSH rules), a regular problem identified by labour inspectorates.**

**Joint inspections can be an effective method of cooperation, especially for monitoring big construction sites. Where organizing joint inspections is not advisable, sharing data and outcomes between competent authorities is recommended.**

**Labour inspection campaigns and joint campaigns tackling UDW in the construction sector are often part of more general policies intended to raise public awareness of the risks of UDW. In these situations the involvement of the relevant stakeholders (trade unions, employers organisations, NGOs, etc.) is advisable.**

**Specific regulatory instruments have been proven effective in construction supply chains, such as JSL schemes; obligations of information disclosure for main contractors; duties of notification of the businesses operating in a construction site and mandatory registration of workers; and mandatory ID cards enabling data collection and data sharing.**

## Factsheet 1: Existing Tools to Address Undeclared Work



### Title of the tool

Joint inspections in the construction industry in Lithuania



### Country / geographical coverage

Lithuania



### Type of tool

Awareness raising



### Scope of the tool

Pilot project/initiative: preventive inspection day



### Key objectives and intended use (content, membership, topic coverage)

The State Labour Inspectorate (SLI) and the Police Department joined their efforts and inspected 80 construction sites in all regions during one day. The dual aim of inspections was the prevention of both UDW and work accidents due to the abuse of alcohol at work by construction workers.



### How the tool operates in practice - key practical takeaways for other Platform members

Given the high number of reports of abuse of alcohol on construction sites received by the SLI alongside the issue of UDW, the first day after the Easter holidays in 2017 was chosen for a joint action. Eighty construction sites were selected on the basis of information received by both authorities throughout the country. Despite publicity of the event, a number of cases of non-compliance were detected and sanctioned.

As a major objective of this initiative was informing workers, businesses and all citizens of the risks of both UDW and of alcohol abuse, journalists were invited to join officers during inspections. Information about the outcomes of the joint action day was therefore published both on the website of the Labour Inspectorate and disseminated by the mass media. Due to its success, the initiative is planned to be repeated in the future.



### Commentary

The interesting aspects of this initiative include that publicity about the day made businesses and workers aware of the initiative, but that this did not hinder detection of non-compliance. Inviting journalists to accompany inspections and disseminate information, while not ordinary practice, effectively supported the dual purpose of the measure as both a deterrent and as a tool to raise awareness on the issues of UDW and of alcohol abuse at work in the construction sector.



### Authorities/ bodies/ organisations involved in its implementation

Valstybinė Darbo Inspekcija (State Labour Inspectorate)  
Police



### Targeted groups or institutions

Workers and businesses of the construction sector



### Start date and duration

First working day after Easter holidays (2017)



### Short assessment of transferability potential in the EU

Joint inspections between authorities at national level are easily transferrable. These actions are often organised on the basis of National Agreements (NAs) or Memoranda of Understanding (MOUs). Information campaigns involving the media after inspections are quite common at the national level among Member States.



### Sources (provide links if available online)

PowerPoint presentation presented at the Seminar.  
<http://www.vdi.lt/Forms/TemaZiniasklaidai.aspx>  
(see news 19 April 2017)



### Metadata and key words for online search

VDI – labour inspection – alcohol abuse

## Factsheet 2: Existing Tools to Address Undeclared Work



### Title of the tool

Institution of a specialised team to tackle UDW in Portugal



### Country / geographical coverage

Portugal



### Type of tool

Workplace inspections



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

In order to enhance effectiveness in tackling UDW, the Authority for Working Conditions (ACT) decided to introduce:

- campaigns aimed at promoting synergies between public authorities and social partners; and,
- a specialised team of labour inspectors, in order to raise awareness of the risks of and to reduce UDW.



### How the tool operates in practice - key practical takeaways for other Platform members

The specialised team to tackle UDW is composed of one chairman and nine labour inspectors. Its aim is to tackle:

- total UDW;
- partial UDW (including bogus self-employment);
- irregular assignment of workers.

Its competencies are:

- collecting and analysing evidence of irregular situations;
- obtaining, analysing and sharing data and information on the phenomena related to UDW;
- strategic planning and organisation of labour inspections;
- offering technical advice to the decentralised offices of ACT;



### How the tool operates in practice - key practical takeaways for other Platform members

- awareness raising/information/training;
- promoting cooperation between competent public authorities;
- cooperating with national and international social partners in tackling this phenomenon.

Criteria for inspective action of the specialised team:

- companies with workplaces that are located in, at least, three distinct areas of ACT's territorial competence;
- situations with signals or complaints of labour exploitation or human trafficking;
- specific phenomena – seasonal, sectoral and thematic (such as agriculture, HORECA, summer festivals);
- especially complex emerging phenomena;
- workplaces with 50 or more employees.



### Commentary

This measure requires cooperation between ACT and other public authorities, both in planning and in developing concrete actions.

A persistent challenge in detecting situations and evidence of UDW was encountered in implementing this practice.

The main objective is to improve ACT's capacities to tackle UDW in its various forms, in order to promote better working conditions and formal employment.



### Authorities/ bodies/ organisations involved in its implementation

Competent public authorities: Social Security Institute (ISS); Employment and Vocational Training Institute (IEFP); Tax and Customs Authority (AT); Immigration and Borders Service (SEF) and Police forces (PSP, GNR).



### Targeted groups or institutions

Employers and workers in general



### Start date and duration

January 2017 – ongoing



### Short assessment of transferability potential in the EU

Transferability of this measure to other Member States is possible. The specialised team which this action is connected to is based on a tripartite policy involving strong cooperation between public authorities and social partners in tackling UDW.



### Sources (provide links if available online)

PowerPoint presentation presented at the Seminar.



### Metadata and key words for online search

Team to tackle UDW – labour inspections – cooperation with social partners



## Factsheet 3: Existing Tools to Address Undeclared Work



### Title of the tool

Joint inspections tackling undeclared work in Denmark



### Country / geographical coverage

Denmark



### Type of tool

Action Plan/Programme



### Scope of the tool

Cross-country tool



### Key objectives and intended use (content, membership, topic coverage)

A formalised action programme of joint inspections to tackle UDW has been implemented in Denmark (in the construction sector and in other strategic sectors where UDW is more present) since 2012. The action plan is renewed each year on the basis of the results achieved, and involves three competent authorities:

- Skat (Tax Authority), in charge of ensuring tax compliance;
- Working Environment Authority, in charge of assuring compliance to OSH rules;
- the police, in charge of immigration controls.



### How the tool operates in practice - key practical takeaways for other Platform members

The action plan of joint inspections is aimed at:

- programming and performing control actions – national and regional;
- creating visibility through press initiatives and involvement of partners and stakeholders through tripartite dialogue.

The plan is supported by state funding based on results achieved (monitored through data collection and data reporting).

Skat found that irregularities were often due to a lack of knowledge of regulation, rather than intentional non-compliance, especially in case of construction works performed by businesses not established in Denmark. Therefore, particularly in these cases, preventive information campaigns are considered as necessary as a supplement to controls and audits.



### Commentary

This annual action plan is an example of joint inspections involving different national authorities in charge of controls in the detection of UDW in the construction industry. Cooperation is needed between the different authorities as well as consistent coordination between administrative authorities and policymakers in the phases of programming policies (allocation of funds) and of monitoring the results achieved.



### Authorities/ bodies/ organisations involved in its implementation

Danish Ministry of Taxation (SKAT)  
Working Environment Authority  
Police



### Targeted groups or institutions

Businesses and employees of the construction sector (and other relevant sectors selected by policymakers, such as agriculture, hotels and restaurants, cleaning industry, etc.).  
Self-employed professionals (same sectors)



### Start date and duration

2012 - ongoing



### Short assessment of transferability potential in the EU

Joint inspection between different national competent authorities in charge of the different aspects of UDW detection is a transferable practice, following national legislation and procedures. Strong coordination between policymakers and administrative authorities is necessary in order to grant dedicated funds and political support.



### Sources (provide links if available online)

<http://www.skat.dk/SKAT.aspx?old=3099>  
<http://www.skat.dk/SKAT.aspx?old=2619&lang=US>  
[http://corit-academic.org/wp-content/uploads/2014/01/TRM\\_Denmark\\_13.01.2014.pdf](http://corit-academic.org/wp-content/uploads/2014/01/TRM_Denmark_13.01.2014.pdf)  
<http://www.skat.dk/getFile.aspx?id=130346> (Guide to tax compliance in English for non-Danish undertakings and natural persons working in Denmark).



### Metadata and key words for online search

Skat – tax compliance

## Factsheet 4: Existing Tools to Address Undeclared Work



### Title of the tool

ID Cards in the construction sector: the cases of Belgium, Finland and Sweden



### Country / geographical coverage

Belgium, Finland, Sweden



### Type of tool

Action Plan/Programme  
Regulations, penalties, minimal standards  
Online tool: Electronic system, Register, Database, Service  
Practical measure



### Scope of the tool

Nationwide tool (Belgium, Finland and Sweden)  
Cross-country or regional tool (Finland and Sweden)



### Key objectives and intended use (content, membership, topic coverage)

The advanced examples of ID cards in Belgium, Finland and Sweden have the same goals and are quite similar.

ID cards are mainly intended to provide registration for all subjects (employees and self-employed professionals) working on construction sites, with the purpose of combating UDW. ID cards are also intended to improve safety at work and have made subcontracting chains more transparent.

ID cards for the construction sector were initially implemented as voluntary measures by the social partners of the construction sector to regulate access of workers to construction sites. In some cases, such as in Finland and Sweden, they have become mandatory measures to be implemented nationwide on all construction sites.

With the right technology, mandatory ID cards also enable some tax-related mandatory obligations for businesses to be fulfilled. ID cards can be equipped with micro-chips which store user-related data, such as: identity; working status (employee, self-employed person, etc.); presence at work and working time; employer's identity; tax code and other fiscal data; social security registrations; training; OSH certificates; and any other data collected for compliance with collective agreements and/or workplace agreements, etc.

At present ID cards are also used in Finland and Sweden in order to fulfil legal requirements relating to posting workers in the Nordic Region. ID cards suppliers are coordinating the type of data collected by ID cards in order to fulfil the different requirements of national legislation in this area (tax and social security regulation, mandatory information disclosure and data collection, data related to working hours, etc.).



## How the tool operates in practice - key practical takeaways for other Platform members

In Finland, wearing ID cards on a construction site has been mandatory under OSH legislation since 2006. This measure is strongly supported by construction industry social partners, which supports and helps supervisory work. In addition, the main contractor's obligation to have information on people working in the construction sites has made subcontracting chains more transparent. This mode has proven to be effective and made supervision more up-to-date, including giving sanctions more rapidly, according to the OSH authority.

In Sweden, the ID06 project promoted the use of ID cards in the construction industry. The project was led by a consortium of employers' organisations and trade unions of the construction sector. Since 1 January 2016, the use of ID cards has been mandatory on all Swedish construction sites. The project now involves: pre-registration, compulsory proof of identity at the site and reporting attendance records to tax authorities.

In Belgium, ID cards started to be used on construction sites as an experimental initiative of the social partner in 2013, then implemented as part of the Plan for a fair competition in the construction sector in 2015. ID cards are now widely used on large construction sites by manual workers, but are still not mandatory. Implementation as a mandatory procedure is still being discussed.



## Commentary

Controlling the presence of people operating on construction sites is a hard task because of the characteristics of work on construction sites: the temporary and sporadic presence of workers; businesses and self-employed professionals working across more than one construction site during the same period; the lack of fencing and/or turnstiles on construction sites for regulating access to sites. If ID cards do not become mandatory under national regulation and are not coordinated to comply with mandatory obligations (workplace attendance controls and monitoring), their effectiveness for monitoring construction sites remains limited. Businesses not participating to the voluntary use of ID cards are normally those more interested in not being controlled, and therefore those more likely to adopt practices of UDW. Therefore, this move to mandatory status is important as controls can be more effectively carried out by the competent authorities.



## Authorities/ bodies/ organisations involved in its implementation

Sectoral social partners  
Authorities in charge of tackling UDW (tax authorities, social security authorities, labour inspectorates).



## Targeted groups or institutions

Employees, employers, self-employed professionals.



### Start date and duration

Belgium: 2013 - ongoing  
Finland: February 2006 (introduction of Section 52a of the OSH Act) - ongoing  
Sweden: 2007 - ongoing



### Short assessment of transferability potential in the EU

Eurofound considers this practice transferrable, as do the European Social Partners of the construction sector (FIEC and EFBWW). See comparative report in the 'Sources' section below.



### Sources (provide links if available online)

[http://www.construbadge.be/Brochures/ConstruBadge\\_Brochure\\_Buitenlandse\\_Werkgever.pdf](http://www.construbadge.be/Brochures/ConstruBadge_Brochure_Buitenlandse_Werkgever.pdf) (BE)  
[http://www.construbadge.be/brochures/ConstruBadge\\_Brochure\\_Buitenlandse\\_Arbeider.pdf](http://www.construbadge.be/brochures/ConstruBadge_Brochure_Buitenlandse_Arbeider.pdf) (BE)  
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<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/obligatory-personal-id-in-construction-finland> (FI)  
[https://www.id06.se/se/in\\_english](https://www.id06.se/se/in_english) (SE)  
<https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/id06-project-in-construction-sector-sweden> (SE)  
<http://www.efbww.org/pdfs/EFBWW-FIEC%20report%20on%20social%20ID%20cards%20in%20the%20construction%20industry.pdf> (compared study)



### Metadata and key words for online search

ID card – construction industry – construction sites

## Factsheet 5: Existing Tools to Address Undeclared Work



### Title of the tool

Preventative measures applied in supply chains in the construction sector - mandatory information disclosure to tax authorities.

The case of Belgium, Finland and Italy.



### Country / geographical coverage

Belgium, Finland, Italy



### Type of tool

Regulations, penalties, minimal standards



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

Specific measures have been implemented in Belgium, Finland and Italy in order to tackle UDW in supply chains within the construction sector. These measures are of two types: those intended to collect information referred to the undertakings that are part of the chain and their workers, or those providing JSL systems for the recovery of wages and/or tax/social security contributions referred to the workers engaged throughout the chain. Within the selected countries, these measures are structured as follows:

In Belgium, to prevent UDW in the construction industry and grant protection to workers in supply chains, a system of mandatory information disclosure is enforced as well as a sectoral-specific system of JSL for unpaid wages and social security contributions;

In Finland, to prevent tax evasion in the construction industry, mandatory information disclosure to tax authorities is required from professional clients (businesses and self-employed professionals) and from main contractors of the construction industry. The main contractor is obliged to inform the tax authority of all persons (regardless of their status) working on a construction site and all contractors have to inform the tax authority of all contracts and contracting parties;

In Italy, for the protection of workers in supply chains (all sectors), JSL is provided for unpaid wages, social security contributions, severance pay, insurance premium, and since 2008, compensation for work injury and occupational illness.

JSL applies both in contracts and in subcontracting chains (clients are liable only if businesses or professionals).



## How the tool operates in practice - key practical takeaways for other Platform members

### Belgium

Mandatory information disclosure: Declaration of Work is an electronic declaration of all construction sites, contractors and subcontractors (start and duration of works performed in the site by contractor/subcontractors, type of works to be performed).

Mandatory registration: using online system Checkin@work for workers present on construction sites (cost threshold 800,000 euro or higher).

JSL for social security unpaid contributions: the contractor may be held liable for the subcontractor's debt, within the limits of the value of the works performed. Contractors are required to check the status of the sub-contractor on the social security portal site ([www.socialsecurity.be](http://www.socialsecurity.be)), before payment of any invoice. If the sub-contractor has social security debts, a deduction of 35% is made on each payment and transferred to the National Social Security Office (NSSO). Failure to check the portal first (and thereby make the appropriate deductions) means that the contractor is fully liable for the sub-contractor's debt.

JSL for unpaid wages: the main contractor is held liable when the subcontractor's workers are not paid, in a system of chain liability (main contractor and subcontractors are liable for all the subcontractors following in the chain). The contractor is held liable for the subcontractor's wage debts once a written notice is issued by labour inspection officers. JSL works only for future debts, and applies from 14 days after notification of the inspector's notice.

### Finland

Monthly mandatory information disclosure to the tax authority is required in the construction industry, both for professional clients (businesses and self-employed professionals) and main contractors on construction sites.

Clients must submit monthly information to the tax authorities relating to contracts/subcontracts for works performed on the construction site (cost threshold 15.000 euro per contract or more). They must report information relating to the main contractor, the subcontractors and the self-employed professionals working on the construction site, such as the price of the contract, the duration of works and the invoices paid in the reporting period.

The main contractors must report information relating to all the workers (employed, temporary workers and self-employed professionals) operating on the construction site (who they are, who the employer is, when and for how long they have worked) to the tax authority on a monthly basis. Reports can be submitted electronically or manually. Each business that is part of the subcontracting chain, or other contractors, has to submit this data to the main contractor who is liable for the submission of the collected data relating to the construction site.

### Italy

A system of JSL is enforced for the provision of services (outsourcing and subcontracting chains) for unpaid wages (due to employees) social security contributions due, severance pay and insurance premium due.

Joint liability is also due to compensate the damage suffered by the employee as a result of work injury and occupational illness for the unpaid part of the insurance companies.

The Italian JSL system operates throughout the subcontracting chain in the field of constructions or services and all contracting businesses are liable for the unpaid sums due by the subcontractors in a lower position in the chain. Business and professionals who are clients in a subcontracting chain are also liable.

The joint liability does not apply in the public sector, in the field of supply of goods and in transport.

No JSL for unpaid taxes is now provided (but it was up to 2014).



### Commentary

Both mandatory information disclosure and JSL systems share the same purpose: to ensure wages and related tax and social security contributions are paid in the subcontracting chains within the construction sector.

Both of these measures are deterrents, but with different intensity in terms of enforcement and consequences: while the first consists of information disclosure merely intended to shed light on all the subjects of the chain, the second is more directly intended to punish non compliance.



### Authorities/ bodies/ organisations involved in its implementation

National Social Security Authorities (Belgium and Italy)  
National Tax Authority (Finland)



### Targeted groups or institutions

Belgium: workers and businesses in the construction industry.  
Finland: employees, self-employed professionals and businesses in the construction industry.  
Italy: employees and businesses in commercial contracts and supply chains, in all sectors.



### Start date and duration

Belgium:  
Checkin@work: 1 April 2014 - ongoing  
JSL social security contributions: 2008 - ongoing  
JSL wages: 17 August 2013 – ongoing  
Finland: 1 July 2014 – ongoing  
Italy: 24 October 2003 - ongoing



### Short assessment of transferability potential in the EU

Mandatory information disclosure in contracting chains of the construction industry is easily transferable.

JSL in contractual chains is also present in other EU countries, such as in Germany, in Spain and in the Netherlands. JSL (or other equivalent measures) is also possible under EU legislation in case of posting (Directive 2014/67/EU, art. 12). For these reasons, transferability is certainly possible.





### Sources (provide links if available online)

[https://www.vero.fi/en-US/Companies\\_and\\_organisations/Construction\\_work\\_reports](https://www.vero.fi/en-US/Companies_and_organisations/Construction_work_reports) (FI)  
[https://www.vero.fi/en/businesses-and-corporations/file-and-pay/construction\\_work\\_reports/](https://www.vero.fi/en/businesses-and-corporations/file-and-pay/construction_work_reports/) (FI)  
<http://www.tyosuojelu.fi/web/en/black-economy/contractor-s-obligations-and-liability> (FI)  
<http://www.tyosuojelu.fi/web/en/employment-relationship/posted-worker> (FI)  
<http://www.emploi.belgique.be/defaultTab.aspx?id=44664> (BE)  
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[http://www.edilportale.com/news/2017/03/appalti/appalti-il-governo-ripristina-la-responsabilit%C3%A0-solidale\\_57087\\_51.html](http://www.edilportale.com/news/2017/03/appalti/appalti-il-governo-ripristina-la-responsabilit%C3%A0-solidale_57087_51.html)



### Metadata and key words for online search

Joint and several liability – JSL - wage – social security contributions – severance pay – insurance premium – work injury occupational illness compensation – subcontracting chains

## Factsheet 6: Existing Tools to Address Undeclared Work



### Title of the tool

Olkiluoto 3 (OL3) Nuclear Power Plant: A learning experience about posted workers



### Country / geographical coverage

Finland



### Type of tool

Action plan/programme: joint labour inspections



### Scope of the tool

Pilot project/initiative



### Key objectives and intended use (content, membership, topic coverage)

OL3 is an important nuclear power plant built in Finland, which during construction was one of the biggest sites in Europe (costing 8.5 billion euro).

Beginning in 2005, important construction contracts were awarded to foreign companies. The project involved more than 2000 companies and about 30,000 workers of 60 different nationalities. The labour force was mainly imported from abroad (75% foreign workers, 25% Finnish workers).

Joint labour inspections and trade union representation were introduced in order to prevent and detect UDW, by tackling the following challenges on the site:

- long subcontracting chains including of foreign workers;
- identification of all companies, and their workers, operating in subcontracting chains;
- lack of Finnish regulation (voluntarily or involuntarily) relating to: minimum wages, terms of employment, overtime compensation, accident insurance, organising occupational health care, accommodation, social security, and taxation (non-compliance of Finnish rules on tax registration), lacking or forged A1/E 101 certificates (social security);
- lack of worker protection (rights, health and safety) at the site;
- frequent turnover of businesses and workers, often due to the rules on cross-national taxation (taxes to be paid in the country where work is done under the '183 day rule').



### How the tool operates in practice - key practical takeaways for other Platform members

Trade Union involvement at the site was a priority: the Finnish Construction Trade Union negotiated to get a full-time chief shop steward and an occupational safety and health delegate at the site.

Supervision and monitoring by joint inspections: 60 representatives of six competent Finnish authorities conducted joint inspections at the OL3 site in the spring of 2013. 2000 workers were interviewed.



### Commentary

This kind of holistic inspection approach was successful because of the effective cooperation between the authorities involved and the social partners at the construction site.

Not only “on the spot” inspections run by public authorities, but also structural organisation of monitoring and controls at the site level were enforced (e.g. the presence of trade union delegates). The use of mandatory ID cards (see factsheet no. 4) also made this monitoring system (using data collection) feasible and more effective.

This permanent monitoring system also provided background information to the authorities responsible for controls.



### Authorities/ bodies/ organisations involved in its implementation

Representatives of the Finnish trade unions (construction, metal, electrical, clerical), Confederation of Finnish Construction Industries, Occupational safety and health delegate at the site, Main contractor’s representative for OSH issues, Finnish Police, Finnish Labour Inspectorate, Regional State Administrative Agency of Southwestern Finland/ Area of Responsibility for Occupational Safety and Health, Regional State Administrative Agency of Southern Finland/ Area of Responsibility for Occupational Safety and Health, Radiation and Nuclear Safety Authority, Finnish Centre for Pensions and Finnish Tax Administration.

There were also some cooperation in controls between the Finnish Customs and the Finnish Border Guard, involving regular meetings and cooperation with the client (TVO) and the main contractor (Area-Siemens).



### Targeted groups or institutions

Posting companies (companies not established in Finland)  
Posted workers



### Start date and duration

Construction works started in 2005 – now completed. Licences are expected to be obtained by the end of 2017 and commercial operations will start by the end of 2018.



### Short assessment of transferability potential in the EU

This practice is transferable to other Member States, but this measure was specifically tailored for detecting and fighting UDW on a large construction site with long and complex subcontracting chains with a lot of foreign businesses and workers.

Effective administrative cooperation among the authorities involved and between the authorities and the social partners is needed. A formalised National Agreement (NA) between the participants to such a complex measure may be necessary.



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### Metadata and key words for online search

ID card - construction sites - nuclear power plant - labour inspections - posting of workers - subcontracting chains.

## Factsheet 7: Existing Tools to Address Undeclared Work



### Title of the tool

Cooperation agreement between the Spanish Labour and Social Security Inspectorate and the Portuguese Labour Inspectorate<sup>4</sup>



### Country / geographical coverage

Spain, Portugal



### Type of tool

Cooperation at cross-country level: cooperation agreement between the Spanish and the Portuguese Labour Inspectorates



### Scope of the tool

Bilateral agreement



### Key objectives and intended use (content, membership, topic coverage)

An increase in the posting of Portuguese workers to Spain had resulted in frequent labour violations related to discrimination, work safety and health conditions, salaries, duration of working hours and labour traffic. In October 2003, the Spanish Labour and Social Security Inspectorate and the Portuguese Labour Inspectorate signed a bilateral agreement aimed at exchanging information and promoting cooperation on a permanent basis. Within this framework, the two authorities decided to concentrate their actions in the sectors where violations were deemed to be more frequent and relevant: agriculture, forestry and construction.

The agreement provides for several axes of cooperation, in particular with respect to the exchange of information. These aim to provide:

- actions of prevention (controls) from occupational risks and work accidents;
- mutual cooperation in providing information relating to labour inspections being carried out by each of the authorities involved;
- immigration controls over third-country national workers.

<sup>4</sup> See Stefanov, R., Mineva, D., (2017) Drafting, implementing, reviewing and improving bilateral agreements and memoranda of understanding to tackle undeclared work, European Commission, Brussels, p. 45.



### How the tool operates in practice - key practical takeaways for other Platform members

Both the Spanish and the Portuguese inspection authorities provide for mutual exchange of information on the movement of workers across the border between the two countries, in particular with reference to:

- posted workers and posting companies;
- cross-border workers;
- seasonal workers of the agricultural sector.

Specific actions undertaken are:

- an active role of the social partners in monitoring actions;
- cross-border joint inspections;
- administrative cooperation (exchange of information) aimed at facilitating labour inspection procedures and effective sanctioning;
- training of labour inspectors;
- development of a technical handbook for controls (2009).

A Joint Steering Committee was created for the supervision and monitoring of the agreement and of the measures adopted.



### Commentary

The long-standing experience of implementation of this permanent bilateral agreement shows the importance of:

- a permanent joint body in charge of continuous monitoring of the implementation of the agreement and of the actions undertaken;
- specific training for labour inspectors in cross-national UDW issues;
- mutual cooperation between labour inspectorates in tackling UDW at the cross-national level;
- joint inspections.



### Authorities/ bodies/ organisations involved in its implementation

The Spanish Labour and Social Security Inspectorate and the Portuguese Labour Inspectorate.



### Targeted groups or institutions

Cross-border workers between the two countries; seasonal workers; posted workers.



### Start date and duration

October 3, 2003 - ongoing



### Short assessment of transferability potential in the EU

This type of bilateral agreement between labour inspectorates is certainly transferable, as well as the actions implemented. Transferability of some actions, such as labour inspectors exchanges and training, may be easier in regions, as the measures implemented are more feasible between neighbouring countries, where personal contacts between officers at the cross-border level are more frequent.

The presence of a specific body (the Joint Steering Committee), with representatives of both authorities is key for effective monitoring and implementation of the bilateral agreement.



### Sources (provide links if available online)

[http://eurodetachement-travail.eu/datas/files/EUR/bilateral\\_agreements\\_luxembourg.pdf](http://eurodetachement-travail.eu/datas/files/EUR/bilateral_agreements_luxembourg.pdf)



### Metadata and key words for online search

Permanent bilateral agreement – Joint Steering Committee - information exchange - posting of workers - cross-border joint inspections – cooperation with social partners

## Factsheet 8: Existing Tools to Address Undeclared Work



### Title of the tool

Certification of labour compliance (Documento Unico di Regolarità Contributiva - DURC)



### Country / geographical coverage

Italy



### Type of tool

Online tool: creation of a document certifying construction companies' regular payments of social security contributions



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

In Italy the construction sector is characterised by a high-risk of undeclared workers. So, in the context of UDW, since the late 1990s specific attention has been focused on this sector, which is also characterised by the presence of numerous public works contracts.

The DURC is a document certifying construction companies' regular payments of social contributions. Requiring only a single online application (rather than multiple applications to the different competent authorities), the DURC is a certificate of the company's compliance with the obligation to pay social security, welfare and social insurance contributions. Initially introduced at local level, DURC has been applied nationwide since 2005 through the establishment of a single social security information point. DURC is mandatory for companies engaged in the following activities: public construction works, services and supplies; services and activities in covenant or concession; private building works; tax incentives and subsidies provided by EU legislation.

DURC is aimed at:

- preventing unfair competition resulting from the use of undeclared workers;
- enabling contractors to certify their regular status for the assignment of public procurement contracts;
- simplifying the administrative procedures enabling controls by clients and main contractors in construction supply chains;
- increasing the market visibility of those companies complying with the rules.





## How the tool operates in practice - key practical takeaways for other Platform members

In place since 2005, DURC is issued through an on-line procedure involving all the competent authorities. The competent bodies in charge of the certification of compliance are INPS (certifying social security contributions are paid), INAIL (certifying that social insurance contributions for accidents at work and work-related illnesses are paid), and Casse Edili (bilateral body established by the social partners of the construction industry, which certifies the contributions related to the welfare services provided to construction workers are paid).

If the DURC has not been released by the competent bodies (INPS, INAIL, CASSE EDILI):

- under requiring of INPS, INAIL or CASSE EDILI the subject concerned can regularise his position within 15 days - before the deadline for submitting bids in the public tender;
- in case of non-compliance with the contribution obligations, the contractor has to retain from the payment certificate, the default amount to pay directly to the social security and insurance institutions and, if relevant, the Cassa Edile;
- no payment can be made for public procurement contracts until the non-compliance is addressed;
- bidding for public tenders is prohibited;
- in private work, suspension of the qualifying title related to the building concession.

The regular payments of social contributions is due by all companies in the supply chain and the main contractor is responsible for the regularity of the documents due by the subcontractors.



## Commentary

In terms of simplification, as a measure to enabling coordination between the agencies in charge of monitoring labour compliance, DURC is undoubtedly an effective measure.

Through the actions of the sectoral bipartite body (Casse Edili), employers' organisations and trade unions are actively involved and committed to tackling UDW and in preventing unfair competition, particularly in public tenders.



## Authorities/ bodies/ organisations involved in its implementation

Casse Edili (bilateral sectoral body, participated by employers organisations and trade unions); INPS (social security authority); INAIL (authority in charge of the social insurance); Contracting public administration authorities (clients in public works).



## Targeted groups or institutions

Employers



### Start date and duration

2005 - ongoing



### Short assessment of transferability potential in the EU

This tool can be transferred to any country. An effective and timely data collection and data sharing system is needed.



### Sources (provide links if available online)

[www.eurofound.europa.eu/it/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/certification-of-labour-compliance-italy](http://www.eurofound.europa.eu/it/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/certification-of-labour-compliance-italy)  
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<http://www.cnce.it/durc/index.html>



### Metadata and key words for online search

DURC - certification of social security compliance – contributory regularity – bipartite body – Casse Edili – contracting.

## 2.2 Direct Controls – Incentives

### Approach: measures and examples of practices adopted

Direct incentives seek to reduce the costs and to increase the benefits of compliance. This type of measure encourages and rewards subjects who engage in declared work.

This approach is based on the following:

- **Preventative measures.** These measures encourage businesses and individuals to choose declared work. When compliance appears a better option to pursue, rational market operators are induced to prefer compliance and not recur to undeclared work.  
**Measures adopted in the construction sector:** direct/indirect tax incentives, such as VAT reductions and/or tax deductions; welfare measures and other benefits provided to declared workers by bilateral bodies through sectoral collective agreements; improvement of measures simplifying compliance, such as easy-to-follow e-procedures not requiring external professional help for compliance; advice by competent authorities making it easier and safer for clients and professionals to proceed to formalisation.
- **Curative measures.** These measures encourage a shift from undeclared to declared work. They are classified in two categories: supply-side incentives, directly targeting businesses and professionals operating in the construction industry, and demand-side incentives, targeting the clients of the services provided by the construction industry.
- **Measures adopted in the construction sector:** tax deductions for clients in private home repairing and maintenance linked to the costs of regularly documented and declared services; amnesties in transition from undeclared work (including from bogus self-employment) to declared work.

### Factsheets 9-12:

The factsheets from 9 to 12 presented in this section are examples of incentive measures adopted for tackling undeclared work in the construction sector.

**Table 3**

Deterrent measures	Aimed at	Concrete actions in factsheets
Preventative measures for the simplification of compliance	Inducing businesses to engage in declared work, by provision of incentives	<ul style="list-style-type: none"> <li>• Online services enabling tax compliance for main contractors in construction supply chains (factsheet no. 9);</li> <li>• Provision of easy-to-follow model agreements (factsheet no. 11);</li> <li>• Self-regulatory sectoral system for enhancing regular forms of transnational provision of services in the construction sector (factsheet no. 12)</li> </ul>
Preventative measures specifically intended to VAT recovery in construction supply chains	Reducing VAT evasion in supply chains through duties imposed on the main contractor	<ul style="list-style-type: none"> <li>• VAT reverse charge in the construction industry (factsheet no. 10)</li> </ul>
Curative measures on the demand-side	Creating conflicts of interests between clients and service providers	<ul style="list-style-type: none"> <li>• Tax deductions and VAT reductions to clients recurring to declared services (factsheets no. 10)</li> </ul>

**Simplifying compliance:** Some of the factsheets describe preventative measures aimed at simplifying compliance (factsheets no. 9, 11, 12). Factsheets no. 9 and 11 are examples of measures enabling simplification of compliance intended to tackle UDW at a national level, and are implemented by national competent authorities. In contrast, factsheet no. 12 is an example of a self-regulatory system implemented by the social partners of the construction sector in Romania in order to meet some of the standards required by other Member States in the construction sector. Factsheet no. 11 relates to measures in the Netherlands intended to prevent self-employed professionals from declaring bogus self-employment.

**VAT reverse charge:** In Europe several countries rely on VAT reverse charge systems for the services provided in the construction industry. This is due to high levels of VAT evasion throughout Europe, and in the construction industry this is mainly observed in businesses and self-employed professionals in the lower levels of supply chains. This measure, which is an exception to the general rule, is specifically allowed for the construction industry by EU norms (directive 2006/112/EC, art. 199).

**Tax deductions and VAT reductions for clients recurring to declared services:** These measures are intended to introduce a mutual interest for clients intending to repair and/or make works of maintenance in their private homes and their service providers. Revenue tax incentives and VAT reductions, in fact, can lead rational clients to prefer businesses and/or the self-employed professionals that are compliant with tax duties, provided that regularly documented work also results in lower taxes for the clients themselves.

## LESSONS LEARNED

Demand-side incentives (targeted direct and indirect tax incentives) seem to be widely used at the national level in the construction sector, as they are deemed to be effective measures intended to create a mutual interest for clients (persons intending to engage in home repairs and renovation) and services providers (who are pushed to issue regular invoices);

Simplification of administrative requirements for compliance is possible and needed: it reduces both the costs of public procedures (saving time and freeing up resources to be dedicated to other tasks) and the administrative costs of compliance for businesses.

Data collection through easy-to-follow and simplified electronic procedures also produces benefits in terms of deterrence, as it enables the authorities in charge to better target monitoring and controls.

## Factsheet 9: Existing Tools to Address Undeclared Work



### Title of the tool

Construction Industry scheme (CIS)



### Country / geographical coverage

United Kingdom



### Type of tool

Online tool: electronic system, register, database, service



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

The Construction Industry scheme (CIS) is a mandatory measure implemented by HM Revenue and Customs (HMRC) setting out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry. It is aimed at ensuring that the correct levels of tax and National Insurance contributions are paid in a subcontracting chain.

The scheme covers most non-domestic construction works carried out in the UK, such as the following: site preparation, alterations, dismantling, construction, repairs, decorating and demolition.

The scheme covers all types of businesses (companies, partnerships and self-employed individuals), both operating as contractors and as subcontractors, working in the construction industry.

The objectives of the CIS are:

- improvement of tax compliance in the construction industry through a system of registration/controls by HRMC (registration of both contractors and subcontractors operating in the construction industry), and deductions paid to HMRC directly by contractors on behalf of subcontractors (both businesses and self-employed persons);
- reduction of the administrative burdens for tax payment related to subcontracts, by online registration, pre-filled forms and online tax returns.



## How the tool operates in practice - key practical takeaways for other Platform members

For the purposes of the CIS, contractors are defined as businesses that engage other businesses to complete construction work, and subcontractors as those that carry out construction work for contractors. Dual role businesses do both of these activities.

Under the scheme contractors can pay self-employed subcontractors after deduction or gross without a deduction. This may require the contractor to make a deduction, which it then pays to HMRC (excluding the costs for materials incurred by subcontractors).

Procedure:

Registering for the scheme: All contractors and subcontractors must register with HMRC for the CIS. HMRC sends information for complying to both contractors and subcontractors.

- Verifying subcontractors: before a contractor can make a payment to a subcontractor for construction works, it may need to verify with HMRC that the subcontractor is registered. HMRC checks whether the subcontractor is registered and then communicates to the contractor the rate of deduction it must apply to the payment, or whether the payment can be made without any deductions.
- Making deductions from payments: All payments made from contractors to subcontractors who are not employees, must take account of the subcontractors' CIS status. This may require the contractor to make a deduction (with some exceptions, this is the rule).
- Returns: each month, contractors must send HMRC a complete return of all the payments they have made within the scheme (or communicate that they have made no payments).
- Payments to HMRC: Each month contractors must send HMRC a payment for the deductions they have made from subcontractors.
- How subcontractors pay tax: subcontractors have to make a return of their profits each year, and their tax liability is based on that return. A subcontractor may already have paid tax by payments on account or had deductions made, as shown on the payment and deduction statements given to them by their contractors. If the amount already paid or deducted is greater than the amount due, HMRC repays the excess. If there is a shortfall, the subcontractor must make a balancing payment.



## Commentary

In 2010 research was commissioned by HMRC to evaluate CIS effectiveness (Ipsos MORI, Evaluating the Construction Industry Scheme, October 2010).

This research found the following aspects of CIS to be effective:

- 81% of all respondents to the survey agree that CIS is effective in ensuring that construction businesses pay income tax.
- businesses also value the scheme as 79% of them agree that its existence makes them confident that construction businesses are complying with their tax obligations.
- 80% of the respondents find that CIS is easy to administer.
- 65% of all respondents agree that the updated version of the CIS (2007) is simpler to administer than the old one.

However, the evaluation also found that the system could not prevent 'cash in hand' transactions, not being registered through the CIS, and that this non-compliant practice is still perceived to be present in the construction industry.

This system is also not intended to target and prevent bogus self-employment. It is more intended to make self-employed persons pay tax, rather than checking their status.



### Authorities/ bodies/ organisations involved in its implementation

HMRC - tax and customs authority



### Targeted groups or institutions

Contractors and subcontractors (both businesses and self-employed professionals) in the construction industry



### Start date and duration

April 2007



### Short assessment of transferability potential in the EU

Transferability to other Member States of such a system is possible, but legal differences between the national tax systems have to be taken into account as well as the costs for public finances in terms of implementation. This needs preventive and relative cost/benefit analysis focusing on the expected outcomes in terms of tax and social security contribution recovery.



### Sources (provide links if available online)

Regulation:

<http://www.legislation.gov.uk/uksi/2005/2045/made>

Evaluation of the measure (2010):

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/344922/eval-cis.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344922/eval-cis.pdf)

Other sources:

<https://www.eurofound.europa.eu/it/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/construction-industry-scheme-uk>

<https://www.gov.uk/government/publications/construction-industry-scheme-cis-340/construction-industry-scheme-a-guide-for-contractors-and-subcontractors-cis-340#twotwenty>



### Metadata and key words for online search

CIS – “Construction Industry Scheme” – payment to subcontractors – tax recovery – HMRC.

## Factsheet 10: Existing Tools to Address Undeclared Work



### Title of the tool

Tax incentives, targeted VAT reductions and VAT reverse charge for the construction industry. Compared measures in Finland, Italy and Sweden



### Country / geographical coverage

National measures applied in Finland, Italy and Sweden



### Type of tool

Direct tax incentives (exemptions, deductions) and Targeted VAT reductions.



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

Income tax deductions for persons doing home repairs and renovations are intended to favour declaration, as complete documentation related to the works performed is needed for the client to be liable for the deduction. The same objective is pursued by VAT reduction (Italy) and VAT deduction (Finland and Italy).

VAT reverse charge in the construction industry is intended to favour VAT recovery by shifting liability from small businesses and self-employed professionals (service providers) to bigger businesses (main contractors). In the reverse charge system the vendor (business) transfers liability to the purchaser (business) who is charged of reporting and paying VAT to the state.



### How the tool operates in practice - key practical takeaways for other Platform members

#### Sweden:

Clients are entitled to deduct from their income taxes the cost of labour in case of repairs, conversion or extension (ROT) or in case of cleaning, maintenance and laundry (RUT) when





## How the tool operates in practice - key practical takeaways for other Platform members

the related works are carried out in a dwelling owned by the client and where he/she lives. Deductions related to ROT are specifically related to activities performed by undertakings operating in the construction sector.

VAT reverse charge applies to the construction industry, and therefore it is the purchaser (business) and not the vendor (business) that is liable for VAT.

Sweden has an advanced electronic system (electronic forms and direct bank transfers to be made by the Tax Authority), requiring registration to the 'e-service Tax Account' (Skattekonto). This makes applying to the Tax Authority for ROT / RUT very simple and effective.

### Finland:

A tax credit is granted for home improvement and/or home repair to the private dwelling concerned when individuals buy services associated with a private dwelling or home leisure (home repair, day care work, cleaning etc). The right to the tax credit relates to works performed by enterprises and self-employed persons, solely in case payment is raised against a regular invoice. A precondition for the client's tax credit is pre-registration of the company/business performing the works, whose compliance can be checked by clients, as public registers are available in a public website.

The amount of the credit corresponds to a maximum of 50% (in 2017) of the total amount of the services (concerning work, not equipment or material), VAT included, paid to companies/businesses, within specific limits per person each year.

The VAT reverse charge is applied to the construction sector in Finland.

### Italy:

Revenue tax deductions are granted for building renovations to natural persons (owners of property units): 50% in 2017 and 36% in 2018 of all the costs paid on the basis of regular invoices (payments need also to be traceable by bank transfer, no cash). Limits are provided: max 96,000 euros in 2018, and 48,000 euros in 2018 for each property unit. The total amount of the tax deduction is divided into ten sums of equal amount representing the annual tax deduction to be applied for ten years starting from the year when the cost of renovation is paid.

VAT reduction (10% rate instead of the ordinary 22%) for ordinary maintenance repair and restructuring expenses.

VAT reverse charge is applied to the construction sector.



## Commentary

The measures (tax deductions) adopted by Finland, Italy and Sweden are similar, sharing the policy intent to create, through this fiscal measure, a mutual interest for clients (natural persons) and small businesses/self-employed professionals, as the entitlement of the fiscal benefit for clients requires regular fiscal documentation of the works provided by the services providers. Traceability of payments (IT) is meant to reduce fraudulent practices.

VAT reverse charge is a measure intended to shift liability on to the businesses purchasing services, instead of the subjects supplying services (the ordinary system). It is deemed particularly effective in sectors, such as construction, where VAT evasion is particularly high. The adoption of such a measure by national authorities, which is an exception to the ordinary VAT system of payment, is allowed in the construction sector under directive 2006/112/EC, art. 199.



### Authorities/ bodies/ organisations involved in its implementation

National tax authorities of Finland, Italy and Sweden



### Targeted groups or institutions

Natural persons owning dwellings where works are performed (tax incentives and VAT reductions);  
Contractors and subcontractors, both business and self-employed persons (VAT reverse charge).



### Start date and duration

VAT reverse charge:  
Finland: 1 April 2011 - ongoing  
Italy: 1 January 2007 (art. 1.44 L. 296/2006)  
- ongoing  
Sweden: 1 July 2007- ongoing

Tax incentives:  
Finland: 2004 (tax year) - ongoing  
Italy: 1 January 2012 - ongoing  
Sweden: 8 December 2008 - ongoing



### Short assessment of transferability potential in the EU

All these measures are transferable, allowing for differences in national rules, especially considering the active role played by the EU in providing fiscal regulatory coordination. In particular, VAT reverse charge in the construction industry is specifically regulated at the EU level (Directive 2006/112/CE, art. 199.1. a).

These incentive measures can also be more effective if accompanied by consistent measures of e-government (e-forms and easy-to-follow e-procedures) regulating all contacts with the Tax Authorities (e.g. Sweden).



### Sources (provide links if available online)

Tax incentives:  
<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/tax-allowance-for-household-services-finland> (FI)  
[https://www.suomi.fi/suomifi/english/eservices/forms/vh\\_3086v16/inde.g.html](https://www.suomi.fi/suomifi/english/eservices/forms/vh_3086v16/inde.g.html) (FI)  
[https://www.vero.fi/download/2016\\_Tax\\_credit\\_for\\_domestic\\_costs\\_work\\_performed\\_by\\_Company/%7BA0064540-F313-4AAA-BC60-E922CE905C45%7D/6398](https://www.vero.fi/download/2016_Tax_credit_for_domestic_costs_work_performed_by_Company/%7BA0064540-F313-4AAA-BC60-E922CE905C45%7D/6398) (FI)  
[http://www.agenziaentrate.gov.it/wps/file/Nsilib/Nsi/Agenzia/Agenzia+comunica/Prodotti+editoriali/Guide+Fiscali/Agenzia+informa/pdf+guide+agenzia+informa/Guida\\_Ristrutturazioni\\_edilizie.pdf](http://www.agenziaentrate.gov.it/wps/file/Nsilib/Nsi/Agenzia/Agenzia+comunica/Prodotti+editoriali/Guide+Fiscali/Agenzia+informa/pdf+guide+agenzia+informa/Guida_Ristrutturazioni_edilizie.pdf) (IT)



### Sources (provide links if available online)

<http://www.ediltecnico.it/20830/iva-agevolata-in-edilizia-ecco-i-modelli-fac-simile-per-la-dichiarazione/> (IT)

<https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/tax-deductions-for-domestic-service-work-sweden> (SE)

<https://www.skatteverket.se/servicelankar/otherlanguages/inenglish/businessesandemployers/declaringtaxesbusinesses/rotandrutwork.4.8dcbbe4142d38302d793f.html> (SE)

VAT reverse charge:

<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/reverse-vat-in-construction-finland> (FI)

<https://www.money.it/IVA-reverse-charge-edilizia-2017> (IT)

<http://www.finanze.it/export/sites/finanze/it/.content/Documenti/Varie/Corte-dei-conti-2015-14-settembre-ore-19.38-3.pdf> (IT)

[http://www.fiscooggi.it:8080/tax-pills/articolo/the-fight-against-italy-s-vat-evasion-is-increasingly-relying-on-the-split-paymen?quicktabs\\_3=1](http://www.fiscooggi.it:8080/tax-pills/articolo/the-fight-against-italy-s-vat-evasion-is-increasingly-relying-on-the-split-paymen?quicktabs_3=1) (IT)

<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/reverse-charge-vat-in-the-construction-industry-sweden> (SE)

<https://www.skatteverket.se/download/18.7be5268414bea0646946f-3e/1428566850726/552B14.pdf> (SE)



### Metadata and key words for online search

Tax deductions – VAT reverse charge – home repairs and maintenance

## Factsheet 11: Existing Tools to Address Undeclared Work



### Title of the tool

From VAR (Declaration of Independent Contractor Status) to “Model Agreements”: measures assessing the self-employment status in the Netherlands



### Country / geographical coverage

Netherlands



### Type of tool

Regulations, penalties, minimal standards



### Scope of the tool

Nationwide tools, applicable to all sectors and especially relevant for the construction industry, in particular where clients directly hire freelancers/self-employed professionals for works in private dwellings.



### Key objectives and intended use (content, membership, topic coverage)

The nature of the relationship between client and self-employed professional can be problematic, especially in case the self-employed person is a business with no employees. The client may face obligations in view of the potential (deemed) employment relationship under the Dutch Chain Liability Act (“Wet Keten Aansprakelijkheid” or “WKA”) and/or the Lending In Liability Act (“Wet Inlenersaansprakelijkheid”).

In the past, in order to provide clarity in these difficult cases, NL implemented a certification system, issued by the national tax authority, called the Declaration of Independent Contractor Status (Verklaring Arbeidsrelatie, VAR). VAR is a document issued by the tax authority certifying that there is no employment relationship between the self-employed individual and his client. Following receipt of this official document, the client was not held liable for any payroll taxes and contributions with regard to the self-employed professional's services.

In May 2016, this system was replaced by a new system of standard contracts (“model agreements”) issued by the tax authority under the Deregulation of Assessment of Independent Contractor Status Act (DBA). Where a standard contract is used in the regulation of the relationship between the client and the self-employed professional, the client cannot be held liable for tax/social security contributions not paid by the self-employed professional and the contract is deemed as a genuine self-employment contract.



### Key objectives and intended use (content, membership, topic coverage)

Recurring to Model Agreements is not mandatory, but has been developed as a voluntary measure to be applied in doubtful cases for the client's benefit.



### How the tool operates in practice - key practical takeaways for other Platform members

VAR procedure (until April 2016):

Once the self-employed person makes the application, the Tax Authorities released one out of four types of VAR, as follows:

- VAR-wuo: Declaration of Independent Contractor Status - Profits from business activities. The applicant is assessed by the Tax Authority as a true self-employed person;
- VAR-dga: Declaration of Independent Contractor Status - Income from activities at the company's risk and expense. The applicant is the major shareholder of a private company.
- VAR-row: Declaration of Independent Contractor Status - Results from other activities. The applicant is not considered a true self-employed person.
- VAR-loon: Declaration of Independent Contractor Status - Income from employment. The applicant is considered as an employee.

Only the first two types of VAR would guarantee clients not to be held liable for payroll taxes and contributions. The assessment of the Administration had to be consistent with several criteria/indicators, such as the following: amount of the (expected) profit, number and type of clients, business risk, and length of time in business.

Model Agreements (since 1 May 2016):

Where the parties of a contract use model contracts approved by the Tax Authority, the client is aware the assignment is not considered employment and will not be held responsible for any payroll taxes and contributions. Model agreements contain all essential regulation related to self-employment contracts, and also consistently regulate issues relating to income tax and social insurance contributions;

Where the parties do not follow the standard contracts approved by the Tax Authority, they may also send the contract they have drafted to the same Authority, to be checked and approved as a genuine self-employment contract. Model agreements are available from the Documents section of the Tax Authority website ([www.belastingdienst.nl](http://www.belastingdienst.nl));

A transitional period has been introduced in order to check the new measure: there will be no enforcement until 1 July 2018 (the final term was recently postponed), and no sanctions may be applied in the meanwhile.



### Commentary

The new model agreements system, being based on formal arrangements between the client and the self-employed person, seems to be effective in terms of creating good faith between parties. At present, in this first phase of implementation it is difficult to assess this measure in terms of effectiveness relating to fraudulent use of this measure. It should be noted that in the case of fraud the law withdraws the beneficial effects of model agreements from both parties.



### Authorities/ bodies/ organisations involved in its implementation

Tax authority (Belastingdienst)



### Targeted groups or institutions

Clients, self-employed persons, with no employees



### Start date and duration

VAR: 2001 – 30 April 2016;  
Model agreements: 1 May 2016 – ongoing.



### Short assessment of transferability potential in the EU

Both the VAR system and the model agreements (standard contracts) system are transferable, depending on the consistency of such measures to national legislation.



### Sources (provide links if available online)

Model agreements:

<http://www.answersforbusiness.nl/regulation/model-agreement>

<https://belastingdienst-in-beeld.nl/themas/zzpderegulering-beoordeling-arbeidsrelaties-dba/factsheet-zzpderegulering-beoordeling-arbeidsrelatie-dba/>

<https://business.gov.nl/regulation/model-agreement/>

<https://www.government.nl/government/documents/leaflets/2011/08/24/q-a-working-as-a-self-employed-person>

<http://source.eu/en/about/blog/8-questions-about-the-var>



### Metadata and key words for online search

VAR – model agreements – self-employment

## Factsheet 12: Existing Tools to Address Undeclared Work



### Title of the tool

SASeC – Self-regulatory Sectorial System in the Construction Sector and CSC – Social House of Constructions



### Country / geographical coverage

Romania



### Type of tool

Action Plan/Programme



### Scope of the tool

Nationwide tool



### Key objectives and intended use (content, membership, topic coverage)

SASeC is a self-regulatory system of protection of workers from the construction sector jointly involving the main sectoral social partners in Romania: ARACO (employers association) and FGS FAMILIA (trade union).

SASeC was created in 2007, with Romania's accession to the EU, with the intention of enhancing the working conditions of Romanian workers in the construction industry. It started as an agreement protocol under the auspices of the Builders' Social Fund (Casa Sociala a Constructorilor, CSC) intended to be implemented as a social fund for the benefit of workers, and now it is a structural multi-services system providing services to the workers of the construction sector.

Other partners included in the agreement are: Vocational Institute of Builders (Casa de Meserii a Constructorilor, CMC); Builders' Sectoral Vocational Training Board (Comitetul Sectorial pentru Formare Profesionala în Constructii, CSFPC); Builders' Fund for Health and Safety at Work (Casa pentru Siguranta în Mediul de Munca a Constructorilor, Casimmco); Builders' Holidays Fund (Casa de Concedii a Constructorilor, 3C); Joint Committee for Migrant Workers (Comitetul Paritar pentru Muncitori Migranti, CPMM); Joint Committee for Combating Undeclared Work (Comitetul Paritar pentru Combaterea Muncii Neînregistrate, CPCMN); Joint Committee for Transnational Companies (Comitetul Paritar pentru Transnationale, CPT); Builders' Pensions Fund (Casa de Pensii a Constructorilor, CPC).

CSC - Casa Sociala a Constructorilor, is part of the SASeC system, and is intended to provide specific allowances which grant protection for declared workers in the construction industry during periods of the year (winter) when construction work is scarce.



## How the tool operates in practice - key practical takeaways for other Platform members

With the implementation of SASeC, the social partners have created a platform structure of several different and integrated bodies, which are jointly managed by the social partners. It aims to provide services such as welfare benefits, vocational training, joint activities supporting Romanian workers posted abroad, and actions to combat undeclared work. It also seeks to promote international partnerships with other national bodies jointly run by the social partners of the construction industry.

CSC - Casa Sociala a Constructorilor is a major body within SASeC. CSC was created in 1998 with the intent of extending social protection to the workers of the construction sector. In particular, CSC provides winter allowances, during the period when work in the construction sector considerably slows down and workers need additions to their salary. Allowances are granted solely to declared workers, as the system is self-financed (by businesses: 1.5% of their turnover; and by workers: 1% of their gross salary). Allowances represent an amount equal to 75% of the average gross salary for the last 3 months of the protected worker and can be granted for up to 90 calendar days. The allowances are calculated in accordance with the period of the work interruption and the total amount cannot be higher than the total contribution made by the company and its employees.

Besides these contributions, under the legislative framework, CSC is the beneficiary of a share of 0.5% of the value of all the construction and montage works. The payment obligation applies to all investment beneficiaries (investors or owners), regardless of the source of financing or the form of ownership. The payment of this share is not conditional on the CSC membership of the contractors. The 0.5% share represents an eligible expenditure for European funding for the vast majority of the operational programmes.



## Commentary

As CSC winter allowances granted only in case of declared work, this measure works as an incentive measure favouring the recourse to declared work.



## Authorities/ bodies/ organisations involved in its implementation

Sectoral social partners



## Targeted groups or institutions

Businesses of the construction industry; workers of the construction industry.



## Start date and duration

SASeC: 2007 – ongoing

|

CSC: 1998 - ongoing





### Short assessment of transferability potential in the EU

Bodies jointly run by social partners providing allowances for declared workers are institutions existing in other several Member States (e.g. Austria, Germany, France and Italy). Transferability is possible, but needs strong commitment from the social partners intending to build up such a measure within their national system of industrial relations and collective bargaining. Being a nationwide measure, it is more likely transferable to national systems based on collective agreements negotiated at the national level.



### Sources (provide links if available online)

[http://eurodetachment-travail.eu/datas/files/EUR/SASeC\\_construction\\_sector\\_initiative\\_romania.pdf](http://eurodetachment-travail.eu/datas/files/EUR/SASeC_construction_sector_initiative_romania.pdf)  
<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/builders-social-fund-romania>  
<http://www.casoc.ro>  
CSC - Casa Sociala a Constructorilor, Annual Report 2015,  
[https://www.casoc.ro/images/stories/rapoarte\\_firma/Raport\\_CSC\\_2015\\_mic.pdf](https://www.casoc.ro/images/stories/rapoarte_firma/Raport_CSC_2015_mic.pdf)  
<https://www.eurofound.europa.eu/observatories/eurwork/articles/first-sectoral-social-agreement-concluded>



### Metadata and key words for online search

SASeC – casoc – construction – winter allowances

## 2.3 Indirect Controls

### Approach: measures and examples of practices adopted

The indirect approach believes that those engaged in undeclared work do not solely weigh up the costs and benefits of doing so. This is because many remain compliant even when the benefits of working undeclared outweigh the costs of doing so. Instead, actors only operate undeclared if they view it as socially acceptable to do so. In all societies, there are formal institutions (i.e., codified laws and regulations) and informal institutions (norms, values and beliefs). When these are not aligned, such as when businesses or citizens do not believe in what the state is seeking to achieve, undeclared work occurs. To align these formal and informal institutions, therefore, two approaches exist:

- **Change the norms, values and beliefs of the informal institutions**, in order to make the social actors aware of the risks of undeclared work and to enhance trust in the formal institutions.  
**Measures adopted in the construction sector:** awareness campaigns also jointly sponsored by the Government and the social partners of the construction sector; creation of institutions/bodies (sponsored by the social partners of the construction sector) providing actions such as organised advice services for workers and businesses, and/or promoting information campaigns and training meant to raise awareness on the risks and the social costs of undeclared work; other tripartite actions involving both the competent public authorities and the social partners, such as tax education initiatives.
- **Change the formal institutional imperfections**, either by promoting actions enhancing the perception of procedural fairness and distributive justice (businesses and individuals should have the perception they are treated fairly and the sanctions they may incur are correct and consistent with socially unaccepted misconduct), or by changing the products of formal institutions, such as laws and regulations related to undeclared work.  
**Measures adopted in the construction sector:** change of norms relating to declaration. In many countries preventive declaration of workers is now the rule, having abandoned previous practices of successive declaration, widely considered unfair for favouring non-compliant businesses.

### Factsheets 13-16:

The factsheets from 13 to 16 presented in this section are examples of indirect controls measures adopted for tackling UDW in the construction sector.

**Table 4**

<b>Deterrent measures</b>	<b>Aimed at</b>	<b>Concrete actions in factsheets</b>
Education and awareness raising measures	Inform businesses and workers on the issues related to declared work (regulation, expected benefits) and its values	<ul style="list-style-type: none"> <li>• Web portals providing information on cross-national provision of services (factsheet no. 14);</li> <li>• Creation of institutions participated by the sectoral social partners (factsheets no. 13, 16);</li> <li>• Counselling services (factsheet no. 13, 16)</li> </ul>
Information campaigns	Making businesses and workers aware of the benefits of fully declared work	<ul style="list-style-type: none"> <li>• Public information campaigns (factsheets no. 13, 15, 16)</li> </ul>

The factsheets in this section present services and other actions directed to businesses/self-employed professionals and/or to workers. Factsheet no. 15 is related to a campaign coordinated by public authorities. Factsheets no. 13, 14, and 16 report initiatives created and coordinated by the social partners, both at the national level (factsheet no. 13 and 16), and at the transnational level (factsheets no. 14).

## **LESSONS LEARNED**

Awareness raising campaigns are often associated with deterrent measures, such as inspection campaigns, in order to enforce the message being disseminated.

The social partners, both at the national level and at the EU level, have proved to be active and capable in coping with the organization and management of effective indirect measures and actions, in particular in the cases they are engaged in joint actions or in jointly run bodies.

Tripartite indirect measures, such as awareness campaigns and appeals, are often more effective than those solely run by public authorities: the involvement of both the social partners and of the competent public authorities in such initiatives is an added value.

## Factsheet 13: Existing Tools to Address Undeclared Work



### Title of the tool

Advice services for migrant workers in Germany (Exemplary description of the the Counselling Office for Posted Workers operated by Arbeit und Leben in Berlin)



### Country / geographical coverage

Germany



### Type of tool

Action Plan/Programme: advice services and campaigns to inform undeclared workers of the risks and costs of working undeclared (and of the benefits of declared work)



### Scope of the tool

Local tool (Berlin), embedded in national network of another 6 federal states: Brandenburg, Hamburg, Schleswig-Holstein, Niedersachsen, Bremen, Nordrhein-Westfalen)



### Key objectives and intended use (content, membership, topic coverage)

The Counselling Office for Posted Workers (Arbeit und Leben Berlin e.V.) is an organisation linked to the German Trade Union Confederation (DGB), whose main mission is to provide information to workers from other EU and third countries (employees and self-employed persons). It organises various different initiatives, such as an advice centre for workers (providing free information and legal advice when necessary), participates in European and national projects on these topics and organises information campaigns.

The advice service aims to:

- provide a point of contact for workers in defence of their labour rights (regardless of their affiliation to a German trade union);
- ensure non-discrimination and fair implementation of the principle of free movement of labour according to the ideas of 'fair work' and 'equal pay for the equal work'.



## How the tool operates in practice - key practical takeaways for other Platform members

The advice services are implemented both at an individual level (front office services, information on the telephone and via e-mail) and at a collective level (information campaigns, workshops, presentations, ad-hoc information sessions, dissemination through media – especially internet forums – and production of multilingual materials). The service is also involved in national and international partnerships and networking.

A problem-specific approach is adopted for individual and collective advice, so that actions are focused on the concrete problems encountered by foreign workers employed in Germany:

- posted workers;
- EU mobile workers;
- self-employed people with an unclear labour status;
- refugees.

The Counselling Office for Posted Workers (Arbeit und Leben Berlin e.V.) provides its advice services, information and legal aid in several languages: Polish, Russian, Romanian, Spanish, English and French.



## Commentary

The problem-specific approach, followed by The Counselling Office for Posted Workers (Arbeit und Leben Berlin e.V.) allows them to maintain a constant and up-to-date overview of the phenomenon of UDW.

Advice services for workers are traditionally associated with trade unions and the organisations they relate to. The original feature of this measure is that it is implemented by an institution led by social partners and is specifically directed at foreign workers, protecting them from exploitation while they are working in Germany.

The multiple activities carried out by The Counselling Office for Posted Workers (Arbeit und Leben Berlin e.V.) in terms of advice services may be classified either as:

- preventive measures (individual support and advice to workers);
- direct measures (support with extrajudicial enforcement of rights, contact and negotiation with employers) or;
- indirect measures (in particular, those at collective level, such as awareness raising campaigns and production of multilingual materials).



## Authorities/ bodies/ organisations involved in its implementation

Arbeit und Leben Berlin e.V. (closely linked to DGB – German Trade Unions Confederation)



## Targeted groups or institutions

Posted workers;  
EU citizens exercising the free movement of labour;  
Self-employed people with an unclear labour status;  
Refugees (since May 2015).



### Start date and duration

1 August 2010 – ongoing



### Short assessment of transferability potential in the EU

Advice services are easily transferable to other EU countries. It should be considered though that implementation requires:

- dedicated funds (The Counselling Office for Posted Workers is operated by Arbeit und Leben Berlin e.V. and closely linked to the social partners but is financed by public funds from the Berlin local government) and
- a professional multilingual task force of advisors, in order to be effective.



### Sources (provide links if available online)

<http://berlin-brandenburg.dgb.de/beratung/eb>  
<http://www.berlin.arbeitundleben.de/migration-und-gute-arbeit.html>



### Metadata and key words for online search

Advice services – posting of workers

## Factsheet 14: Existing Tools to Address Undeclared Work



### Title of the tool

Posted Workers portal [www.posting-workers.eu](http://www.posting-workers.eu) and ECMIN 2.0 Workers information and portal website on applicable working conditions



### Country / geographical coverage

European level projects



### Type of tool

Online tool: websites



### Scope of the tool

European level tools



### Key objectives and intended use (content, membership, topic coverage)

For each Member State, the European social partners of the construction sector, FIEC and EFBWW, have jointly implemented a website ([www.posting-workers.eu](http://www.posting-workers.eu)) to provide enterprises and workers from the construction industry with the information needed in case of posting (rules and duties/rights in the hosting country). This site provides in-depth sector-specific information, however this does not yet take into account the legislative changes related to the implementation of the “Enforcement” Directive (2014/67/EC).

The EFBWW launched the “European Construction Mobility Information Net” (ECMIN) in 2009. The ECMIN is specifically designed for workers intending to work abroad or who are already abroad. The database and website ([www.constructionworkers.eu](http://www.constructionworkers.eu)) provide them with free information about the most important sector-specific working conditions that is transparent, concise and easily accessible.

In order to implement these online services EFBWW carried out the project Ecmn 2.0, intending to:

- improve the functions of the website, which has to serve as a gateway both for workers who are looking for information and national trade unions who can provide the information needed (brochures, leaflets, on site services, etc.), directly answer specific questions (by phone, email or in person) or, if needed, direct workers to the national competent authorities;
- make the ECMIN portal usable for a wider range of workers by augmenting languages and countries of destination, as well as creating an app for mobile use;
- Enable the EFBWW's national affiliates to provide regular country-specific updates.

Both web portals receive financial support from the European Union.



### How the tool operates in practice - key practical takeaways for other Platform members

The website [www.posting-workers.eu](http://www.posting-workers.eu) is jointly implemented by the sectoral social partners at the EU level, and provides technical information more intended for companies, employers' federations, trade unions and national authorities, such as the employment conditions applicable in the host country (minimum wage, OSH rules, and other working conditions) and the national administrative requirements for posting.

The ECMIN website provides workers with information about the most important sector-specific working conditions such as wages, working hours, overtime payments, etc. in the countries of destination in their native language. Providing a network of on-site representatives, the website also gives the opportunity for workers to get directly in touch with the national trade unions affiliated to the EFBWW.



### Commentary

Both instruments are valuable and complementary as they provide information to posting businesses ([www.posting-workers.eu](http://www.posting-workers.eu)) and to workers intending to work abroad ([www.constructionworkers.eu](http://www.constructionworkers.eu)). They provide precise, easily accessible, and free of charge information about the regulatory framework and the terms and conditions of employment in the EU Member States. Aimed at correcting information inconsistencies in cross-national provisions of services and work, both web portals need the support of strong networks of national experts engaged in implementing and updating information.



### Authorities/ bodies/ organisations involved in its implementation

FIEC, the European Construction Industry Federation, affiliating 29 national federations of the construction industry in 26 countries.

EFBWW, the European Federation of Building and Woodworkers affiliating 76 trade unions in 34 countries.



### Targeted groups or institutions

Posted workers and posting companies



### Start date and duration

[www.posting-workers.eu](http://www.posting-workers.eu): 2009 - ongoing  
Ecmin 2.0: 2014 - ongoing





### Short assessment of transferability potential in the EU

They are intended to be European level tools



### Sources (provide links if available online)

Social partners website (FIEC&EFBWW):

[www.posting-workers.eu](http://www.posting-workers.eu)

Press release "Posting construction workers in Europe: know your rights and obligations":

<http://www.fiec.eu/en/cust/documentview.aspx?UID=64af3bac-7814-42d1-893d-1b816353e863>

EFBWW (in cooperation with labour inspectors):

[www.constructionworkers.eu](http://www.constructionworkers.eu)

Tender specifications for subcontracting external expertise:

<http://www.efbww.org/pdfs/1%20Tender%20Coordinating%20expert%20ECMIN%202.0.pdf>



### Metadata and key words for online search

Posting of workers – working conditions – help and assistance – construction

## Factsheet 15: Existing Tools to Address Undeclared Work



### Title of the tool

“Working abroad” campaign – What you need to know before leaving



### Country / geographical coverage

Portugal



### Type of tool

Action Plan/Programme: raising awareness of the rights and obligations of posted workers, EU mobile workers and migrant workers.



### Scope of the tool

Nationwide tool. Information is also provided on-site, in the countries where Portuguese workers are more concentrated, e.g. France, Luxembourg, Brazil and Angola.



### Key objectives and intended use (content, membership, topic coverage)

The Working abroad campaign is based on the assumption that the more information workers have before leaving the country, the less they will be vulnerable to exploitation through unfair working conditions once they have left Portugal.

The goal of the campaign is to provide workers with better information, in order to:

- combat fraud and UDW in the hosting countries, by raising the awareness in workers of their rights and obligations;
- foster better employment conditions: minimum wage, working hours, etc.;
- prevent workers from isolation by helping to solve everyday life problems, such as access to health care, contacts for administrative requirements, etc.



### How the tool operates in practice - key practical takeaways for other Platform members

Posters, brochures and flyers were created and distributed by each campaign. Specific brochures were designed for the specific countries which are the most popular destinations for Portuguese workers.

Different methods were used to disseminate information:

- institutions (92 municipal offices to support migrant workers in the North, Centre and Algarve areas, 10 municipal offices in the Lisbon area, ACT, IEFP and ISS public assistance services, Portuguese Catholic Mission for Migration for distribution in parishes);
- media (broadcast TV and radio spots);
- websites (the campaign was disseminated through all partner websites and the creation of a specific campaign site); and
- events, such as the organisation of “European Job Days” in Portugal.



### Commentary

This measure is easily replicable in other countries intending to support migrant and posted workers. What is really needed is correct information on regulation in the hosting country. Therefore, with specific reference to posted workers, the national web portals established by art. 5 of the directive 2014/67/EU may be useful sources of information, as well as the portals provided by the EU sectoral social partners (see factsheet no. 14).



### Authorities/ bodies/ organisations involved in its implementation

The Working abroad campaign is promoted and coordinated by the Ministry of Foreign Affairs in partnership with the following institutions:

- Working Conditions Authority (ACT)
- Directorate-General of Consular Affairs and Portuguese Communities (DGACCP)
- Institute for Social Security (ISS)
- Employment and Vocational Training Institute (IEFP)



### Targeted groups or institutions

Workers intending to leave Portugal and work abroad



### Start date and duration

Repeated campaigns. The first in 2003 (before the economic crisis), then in 2006 and in 2012.



### Short assessment of transferability potential in the EU

Such information campaigns are easily transferable, both to other sending countries, as in this case, and to hosting countries. Specific bilateral agreements between the sending country and the hosting country could be an effective measure to grant coordination and commitment by the national authorities involved in both countries.

Steps required from the sending country include:

- identification of the major hosting countries national workers are more inclined to move to;
- identification of relevant and correct information on the regulation of the hosting country (working conditions, administrative requirements, services provided by the host country, etc.);
- involvement of competent authorities and stakeholders (social partners, NGOs, etc.); and
- organisation of the campaign and dissemination of information.



### Sources (provide links if available online)

Link to the campaign webpage:

<https://www.portaldascomunidades.mne.pt/pt/trabalhar-e-viver-no-estrangeiro>

Link to the campaign brochure:

[http://www.seg-social.pt/documents/10152/4352066/brochura\\_trabalhar\\_estrangeiro/7845d77d-bbc3-4757-9ceb-11b643189452](http://www.seg-social.pt/documents/10152/4352066/brochura_trabalhar_estrangeiro/7845d77d-bbc3-4757-9ceb-11b643189452)

Link to the campaign flyer:

[https://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjYq-J3OpP\\_UAhXIA8AKHQ-dCaoQFggyMAI&url=http%3A%2F%2Fstatic.trabajando.com%2F-skin%2Fpt%2Fipp%2Femprego%2FGES.IPP\\_Folheto\\_Trabalhar\\_no\\_Estrangeiro.pdf&usq=AFQjCNFts2ALBGBfwCEewzxnCF4E1xbEKA&cad=rja](https://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0ahUKEwjYq-J3OpP_UAhXIA8AKHQ-dCaoQFggyMAI&url=http%3A%2F%2Fstatic.trabajando.com%2F-skin%2Fpt%2Fipp%2Femprego%2FGES.IPP_Folheto_Trabalhar_no_Estrangeiro.pdf&usq=AFQjCNFts2ALBGBfwCEewzxnCF4E1xbEKA&cad=rja)

[http://www.eurodetachment-travail.eu/datas/files/EUR/ACT\\_campaign\\_portugal.pdf](http://www.eurodetachment-travail.eu/datas/files/EUR/ACT_campaign_portugal.pdf)

[http://www.act.gov.pt/\(pt-PT\)/Campanhas/Campanhasrealizadas/CampanhaTrabalhar-noEstrangeiro/Paginas/default.aspx](http://www.act.gov.pt/(pt-PT)/Campanhas/Campanhasrealizadas/CampanhaTrabalhar-noEstrangeiro/Paginas/default.aspx)



### Metadata and key words for online search

Working abroad – posting of workers - information on site – preventing isolation

## Factsheet 16: Existing Tools to Address Undeclared Work



### Title of the tool

Economy into the Light National Centre and Come to the Light campaigns



### Country / geographical coverage

Bulgaria



### Type of tool

Action Plan/Programme  
Cooperation at national level

Information material, publications  
Mutual learning: training



### Scope of the tool

Pilot project/initiative (actions for restriction and prevention of UDW)



### Key objectives and intended use (content, membership, topic coverage)

With Bulgaria's accession to the EU in January 2007 the project 'Restriction and Prevention of Informal Economy' was implemented from 2009-2013 (co-funded by the European Social Fund). Within this project, the Economy into the Light National Centre was founded and started its work in April 2010.

Its main objectives were:

- providing reliable statistical data and promoting studies on the quality and dimension of the informal economy;
- promoting actions for information on the risks of UDW, and coordinated actions for the restriction and prevention of UDW.

The Economy into the Light National Centre has introduced the Economy into the Light annual award, intended to foster the commitment of the actors of the labour market to the values of declared work.



## How the tool operates in practice - key practical takeaways for other Platform members

The Economy into the Light National Centre was located in Sofia, and in nine regional offices.

The main project activities were:

- public awareness campaigns;
- publications;
- training activities; and
- coordination of actions tackling undeclared work, also involving the Authorities in charge of tackling undeclared work.

Information for workers and for businesses was part of the services provided by the Centre in its offices, and a dedicated telephone line was activated for information and reporting of undeclared work practices.

The Economy into the Light award is an ongoing annual programme, intending to present examples and good practices of education, training and public awareness in different sectors and also in the public administration. It also aims to stimulate positive action to tackle the undeclared economy and UDW among the general public, the business community and the public administration.



## Commentary

After the end of the ESF supported project in 2013 the work of the National Centre has been integrated in the other activities of the Bulgarian Industrial Capital Association (BICA). Under the BICA, the project has proved its sustainability, continuing to calculate and present the so called Composite Index for Diagnosis and Prevention of the Informal Economy on its own.

The Association has continued to update the web-site of the initiative in its news section, and has carried forward to organisation of the national awards “Икономика на светло” (Economy into the Light). The award ceremony was on 1 June 2017, in which a number of government agencies, non-governmental organisations and companies were awarded for their contribution to tackling the undeclared economy in Bulgaria. Due to a change in some site maintenance requirements, the website needed a substantial upgrade. Because of this, the site of the centre is currently under construction.



## Authorities/ bodies/ organisations involved in its implementation

The Economy into the Light National Centre has been initiated by the Bulgarian Industrial Capital Association (employer representative body) and by the Confederation of the Independent Trade Unions.



## Targeted groups or institutions

Employers and workers, social partners, labour inspectorate



### Start date and duration

Project: 2009–2014. Some activities of the Centre are still ongoing: Economy into the Light annual award and ongoing activities for measurement of the economy lightness.



### Short assessment of transferability potential in the EU

Eurofound considers the Economy into the Light National Centre as a practice transferable to other Member States. Such awareness-raising campaigns are transferable however, for effective outcomes these campaigns need specific funds for implementation and strong support and commitment both from the social partners and by the competent public authorities.



### Sources (provide links if available online)

[www.nasvetlo.net](http://www.nasvetlo.net)  
<http://www.ikonomikanasvetlo.bg> [Note: this is the website of the centre. It was accessible until end of June 2017. At present, mid July 2017, it is under construction]  
<http://www.ikonomikanasvetlo.bg/en/web/guest/home1> [Note: this webpage was accessible until end of June 2017. At present, mid July 2017, it is under construction]  
<https://www.eurofound.europa.eu/observatories/emcc/case-studies/tackling-undeclared-work-in-europe/rules-for-business-centre-bulgaria>  
<http://bit.ly/2ih9g5w>



### Metadata and key words for online search

BICA – CITUB – Rules for the Business – Economy into the light

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**FEEDBACK NOTE**

We hope that you found this toolkit useful. If you have any feedback or comments, please do not hesitate to contact us on: [EU-UDW-PLATFORM@icf.com](mailto:EU-UDW-PLATFORM@icf.com)