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Road Map for Fighting Undeclared Work in Greece



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Introduction

The ILO, in close collaboration with the Greek Government and the social partners, as part of a project funded by the European Union, on “Supporting the transition from informal to formal economy and addressing undeclared work in Greece”, has produced, through a participative and consultative process, a report on the Diagnosis of Undeclared Work in Greece.

The Diagnostic Report was endorsed by the Greek Government and the social partners in a high level tripartite validation meeting held on 6 July 2016. The validated report provides a set of policy recommendations that reflects the ILO’s vision of a balanced approach combining incentives with compliance measures, as enshrined in the ILO Recommendation n.204 on the transition from the informal to the formal economy, adopted at the International Labour Conference in June 2015.

Reaching a tripartite agreement on the main characteristics and drivers of informality in Greece was an important step. The next challenging step was to design, through tripartite dialogue, a road map for addressing undeclared work in Greece.

The present road map adopted by the Government and social partners in October 2016 aims to contain a balanced regulatory and policy framework for preventive and appropriate corrective measures that will facilitate the transition to the formal economy and tackle undeclared work.

The Greek Government and the social partners, with the support of the ILO and of the Structural Reform Support Service of the European Commission, will be working jointly to achieve these results.

The new Law 4468/2017, adopted in April 2017, established a Tripartite Committee with equal representation under the Supreme

Labour Council on undeclared work. This Tripartite Committee will be responsible for steering and monitoring the implementation of the roadmap, involving social partners in the design and implementation of economic, employment and social policies.

Implementing a holistic integrated strategic approach to tackling undeclared work in Greece.

The Roadmap to tackling undeclared work is an integrated holistic approach based on social dialogue and utilising the full range of direct and indirect controls by concurrently pursuing both enforced compliance and voluntary cooperation.

From the set of 25 policy recommendations of the Diagnostic Report on Undeclared Work in Greece¹, social dialogue mechanism led to a consensus about critical elements, challenges and barriers and on the way to a holistic integrated strategic approach towards tackling undeclared work in Greece.

The first critical element is the need for identifying and setting up (assigning or reforming) the tripartite social dialogue body bearing, on a permanent basis, and drawing on the appropriate legal provisions, the responsibility for policy design, overview and assessment of the roadmap aiming at tackling undeclared work in Greece.

The second critical element is equally important and relates to technical need for interoperability of data bases for data mining and the exchange of data between the Ministry of Labour, the Ministry of Finance and GSPR. It is a critical prerequisite for the holistic integrated strategic approach. Beyond the technical interoperability of the data bases, the operators of these data bases should become able to cooperate and coordinate between them to allow the productive use of the data bases in the design and implementation of the

¹ See ILO, 2016, *Diagnostic report on undeclared work in Greece*, Geneva: ILO.

holistic integrated strategic approach towards tackling undeclared work in Greece.

For governments, the benefits of moving undeclared work into the declared economy are that it improves the level of public revenue, thus enabling governments to pursue higher expenditure on social integration and mobility projects.

For formal sector enterprises complying to the regulatory framework, it prevents unfair competition and enables the business community to better comply to the legal and regulatory framework, to create formal jobs and to be the engine of inclusive growth.

For undeclared workers meanwhile, the key benefits are that they can achieve the same levels of legal protection and working conditions as declared workers.

For customers, furthermore, the advantages of legitimising the undeclared economy are that such customers benefit from legal recourse if a poor job is done, have access to insurance cover, enjoy guarantees with regard to the work conducted, and have more certainty that health and safety regulations are being followed.

To achieve those results, it is essential, however, to join-up the strategies, operations and knowledge of all state agencies and the social partners in a coordinated approach if the fight against undeclared work is to be effective.

Core components of the Roadmap

a. Institutional Reforms and Actions

- Establishment of an institutional body responsible for implementing the holistic integrated strategic approach towards tackling undeclared work, including the monitoring of this roadmap.
- Baseline assessment of the extent and nature of undeclared work to monitor

and assess the effectiveness of policies and measures implemented.

b. Data interoperability, data mining and risk assessment

- Memorandum of Understanding (MOU) for the exchange of data between the Ministry of Labour, the Ministry of Finance and Independent Authority for Public Revenues (IAPR). The MOU will describe the data that will be exchanged between the involved partners, the methodology and the conditions for the exchange. The involved data will be adequate for a) estimating the risk for undeclared work of companies based on their financial and other information, b) for crosschecking the statements related to employment and c) for performing joint controls or triggering controls to related agencies (IAPR, SDOE, SEPE)
- Synchronization of databases of Independent Authority for Public Revenues (IAPR), Ministry of Labour, Unified Social Security Institution (EFKA), Manpower Employment Organization (OAED) and Labour Inspectorate (SEPE): There are already planned services to improve the interoperability between IAPR, Ministry of Labour, EFKA, OAED and SEPE. The aim of these actions is to create consistent registries and to help the detection of undeclared work. These data are basically demographic data and personal details, but no financial information, or case and inspection files of IAPR and SEPE.
- **New risk analysis rules for targeted inspections:** Not all the electronic systems for data mining are fully operational. SEPE's new IT system will be updated with rules for detecting high risk companies with respect to undeclared work.

- **Common tax and social insurance contributions collection:** new system for the common collection of taxes and social insurance contributions will be created.
- **Training of inspectors:** Training of labour, tax and social security inspectors on the issue of tackling the undeclared economy

c. Policy measures

- **Framework for the fine, based on prevention, company viability and motivation for declaring the workers:** Negotiation with the institutions and the social partners for the new sanction system and Adoption for the new legislation for the sanction system.
- **Increasing responsibility in public works:** Framework for public works will hold the contractor responsible for violation of labour laws by the subcontractors and it also require that contractors come from the “white” list of the ministry of labour.
- **Electronic Payments:** Greece has one of the lowest levels of electronic payments per capita per annum of EU member states. To discourage the use of cash and incentivise an increase in electronic payments, so as to reduce the opportunities for undeclared work, the Government will launch an Electronic payments initiative.
- **Ratification of the International Labor Convention 129 and changes in the legal framework on inspections in agriculture to ensure compatibility with ILO Convention 129.**
- **Service vouchers system:** Redesign the service vouchers system. These vouchers cover tax, health and social insurance contributions in a lump sum, thus ensuring that the State is receiving tax and social contributions and workers are registered. This system could be extended, where appropriate through tripartite consultation, to more sectors prone to undeclared work. In all sectors where implemented, evaluation of the service vouchers system should occur to avoid fraudulent use of it.
- **Extension collective labour agreements:** Consultation of the Ministry of Labour with the Institutions on reinstating the EGSSE and the extension of collective agreements.
- **Tax Incentive scheme for formalization:** Dialog with the social partners on tax incentives for formalization and identification of target areas for actions.
- **Fight against bogus selfemployment (dependant self-employment):** As self-employment is extensive and one of the key structural characteristics resulting in the prevalence of the undeclared economy, bipartite social dialogue should be used to deal particularly with bogus self-employment and measures to effectively deal with it.

d. Information and Awareness Campaigns

- **Launch of a Public Awareness Campaign on the Benefits of Declared Work and the problems of shadow economy.** The campaign will involve multiple actions, from talks in schools, to campaigns in the social media. Media with low cost will be preferred.
- **Provide information formalization advice and incentives for business**

to formalize by setting up a new helpline supported by the Ministry of Labour and SEPE

e. Other actions

- **Pilot program for targeted and joint inspections.** Inspections that involve SEPE, IAPR and possibly other inspectorate bodies, will be carried out as a pilot for future regular joint inspections.

See more on facilitating transition from the informal to the formal economy and tackling undeclared work in Greece:

- Informal economy Unit, Employment Policy Department, ILO:
<http://www.ilo.org/employment/units/emp-invest/informal-economy/lang--en/index.htm>
 - ILO project website on Tackling undeclared work in Greece:
<http://adilotiergusia.org/>
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