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on stepping up the fight against undeclared work
(2008/2035(INI))

Committee on Employment and Social Affairs

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(*) Associated committee – Rule 47 of the Rules of Procedure

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(*) Associated committee - Rule 47 of the Rules of Procedure	

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on stepping up the fight against undeclared work (2008/2035(INI))

The European Parliament,

- having regard to the Communication from the Commission entitled Stepping up the fight against undeclared work (COM(2007)0628),
- having regard to its resolution of 21 September 2000 on the Commission Communication on undeclared work¹,
- having regard to the resolution of the Council and the representatives of the Member States, adopted in the Council meeting of 22 April 1999 on a Code of Conduct for improved cooperation between authorities of the Member States concerning the combating of transnational social security benefit and contribution fraud and undeclared work, and concerning the transnational hiring-out of workers²,
- having regard to Council Directive 1999/85/EC of 22 October 1999 amending Directive 77/388/EEC as regards the possibility of applying on an experimental basis a reduced VAT rate on labour-intensive services,
- having regard to the Communication from the Commission entitled The future of the European Employment Strategy (EES) – A strategy for full employment and better jobs for all (COM(2003)0006),
- having regard to Council Decisions 2003/578/EC and 2005/600/EC of 22 July 2003 and 12 July 2005 on guidelines for the employment policies of the Member States, and in particular guidelines Nos 9 and 21,
- having regard to the Council resolution on transforming undeclared work into regular employment³,
- having regard to the Communication from the Commission to the Spring European Council 'Time to move up a gear – The new partnership for growth and jobs' (COM(2006) 0030),
- having regard to Council Decision 2006/702/EC of 6 October 2006 on Community strategic guidelines on cohesion,
- having regard to the Communication from the Commission entitled Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (period 1 May 2004-30 April 2006) (COM(2006)0048),
- having regard to its resolution of 23 May 2007 on promoting decent work for all⁴,

¹ OJ C 146, 17.5.2001, p. 102.

² OJ C 125, 6.5.1999, p.1.

³ OJ C 260, 29.10.2003, p.1.

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- having regard to its resolution of 11 July 2007 on modernising labour law to meet the challenges of the 21st century¹,
- having regard to its resolution of 26 October 2006 on implementation of Directive 96/71/EC on the posting of workers²,
- having regard to the Proposal for a directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals, presented by the Commission (COM(2007)0249),
- having regard to its resolution of 29 November 2007 on common principles of flexicurity³,
- having regard to the Communication from the Commission on the Outcome of the Public Consultation on the Commission's Green Paper 'Modernising labour law to meet the challenges of the 21st century' COM(2007)0627,
- having regard to the Integrated Guidelines for growth and jobs (2008-2010) (COM(2007)0803),
- having regard to the Decent Work Agenda of the International Labour Organization (ILO),
- having regard to the ILO's fundamental labour standards and to its conventions and recommendations on labour administration and labour inspection, which are an international benchmark for ensuring that legal provisions concerning working conditions and worker protection are applied,
- having regard to Convention 143 on migrant workers (1975) and the ILO's supplementary provisions on migrant workers, which provide for the adoption of all necessary and appropriate measures to suppress clandestine movements of migrants for employment and the illegal employment of migrants; having regard also to the provisions regarding the application of administrative, civil and penal sanctions in respect of the illegal employment of migrant workers,
- having regard to the Council Recommendation of 22 December 1995 on harmonizing means of combating illegal immigration and illegal employment,
- having regard to the Council Recommendation of 27 September 1996 on combating the illegal employment of third-country nationals,
- having regard to the conclusions of the informal Meeting of Ministers for Employment and Social Affairs in Berlin, 18-20 January 2007, on 'good work';
- having regard to the report by the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND) on tackling undeclared work in the European

⁴ OJ C 102E, 24.4.2008, p.321.

¹ OJ C 175 E, 10.7.2008, p. 401.

² OJ C 313 E, 20.12.2006, p. 452.

³ Texts adopted, P6_TA(2007)0574.

Union¹,

- having regard to Articles 136 and 145 of the EC Treaty,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Economic and Monetary Affairs, the Committee on the Internal Market and Consumer Protection the Committee on Civil Liberties, Justice and Home Affairs and the Committee on Women's Rights and Gender Equality (A6-0365/2008),
- A. whereas undeclared work is a complex phenomenon, which is still on the rise in several Member States, since it is influenced by numerous economic, social, institutional, regulatory and cultural factors,
- B. whereas undeclared work is a particularly worrying and persistent feature of European labour markets which risks affecting the Member States' economies and the financial sustainability of the European social model by constraining economic growth and budgetary and social policies; whereas, equally, it is responsible for distortions of competition in the internal market because it creates unfair competition with regard to other States and undertakings;
- C. whereas undeclared work is the main factor behind social dumping and is therefore one of the key issues as far as modernising Community labour law is concerned,
- D. whereas uninsured labour leads to unfair competition between insured and uninsured workers, resulting in the further erosion of workers' rights,
- E. whereas the sectors most affected by undeclared work are labour-intensive ones such as farming, construction and domestic, accommodation and catering services, typical features of which are the precariousness of employment and harsh pay conditions,
- F. whereas undeclared work is also fostered by industrial reorganisation whereby subcontracting chains are set up, resulting in an increase in the number of self-employed workers, who are sometimes undeclared,
- G. whereas undeclared work is further encouraged by high levels of unemployment, poverty and temporary and precarious employment, given that in such a climate workers are forced to relinquish any insurance or other entitlements,
- H. whereas there can be a link between illegal immigration and undeclared work; believes that this is another reason why Member States and the Commission must continue to consider a common approach to immigration and the possibility of opening up more legal migration routes into the Union for third-country nationals who want to work.
- I. whereas immigrants, or at least those who find themselves in an illegal situation, are more

¹ Tackling undeclared work in the European Union
<http://www.eurofound.europa.eu/pubdocs/2008/13/en/1/ef0813en.pdf>

likely to become undeclared workers and to work in bad conditions,

- J. whereas illegally employed third-country nationals are all the more vulnerable as they are likely to be returned to their country of origin if caught,
 - K. whereas many Member States face chronic shortages of workers able and willing to do particular, often unskilled work, for example in the agriculture and horticulture sectors,
 - L. whereas people who perform domestic services often work undeclared and a large number of them are migrant workers, many of whom are in an illegal situation and some of whom are victims of exploitative trafficking and bonded labour ;
 - M. whereas undeclared work is not included in the fiscal base and undermines the funding and distribution of social welfare and public services, also limiting the Member States' capacity to offer social services,
 - N. whereas undeclared work deprives insurance funds of valuable sources of revenue,
 - O. whereas workers engaged in undeclared activity have no welfare, sickness or accident insurance, and are thus exposed to high risks and financial losses,
 - P. whereas undeclared work makes it impossible to check compliance with safety and health at work provisions, exposing workers to high health risks and allowing employers to escape liability,
 - Q. whereas, in order to combat clandestine and illegal employment effectively, it is vital to strengthen supervisory and sanctionary mechanisms by providing for the coordinated intervention of labour inspectorate services, tax authorities and the social partners,
 - R. whereas undeclared work has negative repercussions on all the pillars of the Lisbon Strategy: full employment, quality and productivity at work and social cohesion,
1. Welcomes the approach taken by the Commission and also calls for a renewed fight against undeclared work and the underground economy, which – albeit to a varying extent among the Member States – damage the economy, leave workers unprotected, are detrimental to consumers, reduce tax revenue and lead to unfair competition between undertakings;
 2. Expresses deep concern over the extent of undeclared work, which accounts for as much as 20% or more of GDP in some Member States;
 3. Calls on the Member States to consider improving incentives for regular work, which may include increasing the tax-free income band and, for employers, reducing the non-wage costs associated with legal employment;
 4. Welcomes the Commission's initiative to include undeclared work among the Union's political priorities as one which calls for significant action at Community and national levels;
 5. Encourages the Member States to continue with tax and social security system reforms, and thus reduce the burden of taxation on the workforce;

6. Notes, nonetheless, that there is some difficulty in converting Community policy guidelines on undeclared work into well-defined legal and institutional instruments that result in specific measures in individual Member States;
7. Notes the strong asymmetry between the instruments that the Community can use to implement quality work policies and those to implement policies to safeguard market freedoms;
8. Considers that action to combat undeclared work requires a comprehensive approach which covers matters relating to monitoring and control, the economic and institutional framework and sectoral and territorial development, and involves concerted action at several levels and the participation of all stakeholders (public authorities, social partners, undertakings and workers);
9. Notes the link between delayed economic and productive development and the spread of undeclared work; considers that action to combat undeclared work should be incorporated into the economic and employment policies pursued under the Lisbon Strategy; considers, moreover, that, in order to ensure that the strategy to tackle undeclared work is effective and delivers positive results, precise studies should be carried out to analyse the decisive macro-economic factors and the relationship between markets, production models and widespread undeclared working;
10. Calls, therefore, for Community action to combat undeclared work to be more pro-active and incisive, so as to ensure that the modernisation of labour law in the Union is not confined to the purely theoretical level but is translated into effective, high-quality policies, and to ensure that improved job quality can be achieved in every case in accordance with the 'decent work' objective;
11. Considers that the eradication of undeclared work depends, to a large extent, on the effectiveness of labour standards and tax and social security regulations, implying a need to boost the resources of, and action taken by the various national authorities responsible for those matters and a need to improve their coordination and the flow of information among them;
12. Calls for a strategy for combating undeclared work that is based on strong and efficient coordination and administrative cooperation between government enforcement agencies, labour inspectorates and the social partners, social security administrations and tax authorities;
13. Stresses that undeclared work has various definitions in the national legal systems and that a definition common to all Member States would ultimately eliminate uncertainties in relation to statistical surveys of this phenomenon; notes in this connection that the definition used in the Commission report, which distinguishes between legal and illegal activities, can be used as a starting point, bearing in mind that the extent of the phenomenon differs in quality and quantity from one Member State to another;
14. Points out that the measures introduced to combat undeclared work will also shed light on irregularities in declared employment relationships based on legal contracts;

15. Urges the Member States to better enforce existing labour laws and labour standards designed to combat undeclared work; believes that the Union should play a greater role in promoting more and better cooperation and coordination between national labour and social inspectors;
16. Notes that the elimination of the informal economy cannot be achieved without the implementation of appropriate incentive mechanisms; considers that the Member States should report, in the context of the Lisbon Scoreboard, what achievements materialise as a result of reducing the size of the informal economy;
17. Calls on the Commission to submit proposals with a view to developing a set of generally accepted methods of measuring undeclared work based on a grid of data broken down by gender and sector, given the significantly differing extent to which men and women are engaged in undeclared work in many sectors, and the resulting indirect effect on the pay gap between men and women;
18. Stresses the essential need to set up a Community-level platform for the collection, in close cooperation with the Member States, of the information required for the establishment of a reliable database recording undeclared work within the Union, with due regard for the gender dimension and, in particular, the situation of women;
19. Stresses that women are not over-represented where undeclared work is concerned, but when compared with men they nevertheless account for a larger proportion of jobs in a number of 'traditionally female' areas of the labour market, such as domestic service, the hotel and restaurant trade and health care, that are characterised by low skills, poor job security, low wages and low or non-existent social protection, which often places them in a particularly vulnerable position;
20. Calls on the Commission to consider establishing a database recording the various approaches and methodologies used to measure undeclared work by Member States aimed at promoting the sharing of good practices and knowledge transfer and evaluating the feasibility and transferability of the measures implemented;
21. Calls on the Commission to frame policies to provide for both general measures and sectoral measures to prevent undeclared work, doing so with the full involvement of the social partners and with special reference to the most affected sectors, such as the hotel and catering industry, farming, domestic services and the construction industry; draws the attention of the Commission and the Member States to the specific situation of the domestic care sector, where there is a significant concentration of women who are third-country nationals and, in many cases, not legally resident in the Union;
- ;
22. Notes that undeclared work can be prevented by way of the recognition of national safety-at-work standards and conditions set out in bilateral and trilateral agreements between Member States and between the social partners, and that this endeavour would be underpinned by cooperation and exchanges of information between the social partners;
23. Calls on the Member States to reduce the economic attractiveness of undeclared work by ensuring that their tax and social protection systems are as simple, transparent and

- accessible as possible, with efficient policies to create more and better jobs;
24. Calls on the Commission to propose to the Member States a framework statute for spouses or family members helping in family businesses which would ensure their compulsory membership of a social security scheme¹;
 25. Points out that running a family is itself a family business and that recognising atypical family work and including it in a social security scheme should be considered;
 26. Believes that any reform of economic policies, tax and social protection systems in the Member States by Member States should be integrated and take into account the key causes of undeclared work;
 27. Calls on the Member States to provide strong incentives for those who undertake to put undeclared work on a formal economic footing and believes that atypical contracts can in this context play a role in helping on the one hand to get people out of illegal work and on the other in increasing the stability of work;
 28. Calls on the Member States to introduce severe penalties for employers who, notwithstanding any incentives offered, continue to make use of undeclared labour;
 29. Encourages the Member States to make use of the policy tools they have at their disposal, combining preventive action and sanctions aimed at transforming undeclared work into regular employment, and where possible to coordinate the use of those tools in order to achieve greater coherence throughout the internal market;
 30. Notes the important role that the social partners in many Member States have played in combating undeclared work and calls on the Commission and the Member States to give more support and encouragement to employers' organisations and trade unions in this fight; notes with concern that workers who do undeclared work often find they are not protected by important health and safety legislation and legislation on minimum wages and are denied the option of joining a trade union; calls in particular for better enforcement of existing minimum wage legislation in every Member State and urges those Member States which do not currently have a decent minimum wage to consider adopting one, in negotiation with the social partners and in accordance with national practices;
 31. Calls for new regular work measures to be assessed and promoted, in agreement with the social partners at the appropriate level, on the basis of the experience gained in several Member States, so as to allow those involved in undeclared activities to bring their practices within the law, in line with the best of the current regulatory practices which have proved effective;
 32. Draws attention to service voucher schemes in Belgium, Germany and France, whereunder households can buy household services at a lower price but still ensure that social security contributions and taxes are paid through the voucher;
 33. Strongly believes that bringing undeclared employment relationships within the law must

¹ European Parliament Resolution of 21 February 1997 on the situation of spouses assisting self-employed workers (OJ C 85, 17.03.1997, p. 186).

always include an obligation to pay contributions, on the understanding that the Member States could take steps to facilitate the necessary payments by employers;

34. Invites the Member States to consider sector-specific approaches when taking policy action concerning the regularisation of undeclared work;
35. Welcomes the Commission initiative to bring proceedings before the Court of Justice of the European Communities against those Member States that have still not introduced into national law the automatic recognition of qualifications obtained in the new Member States; calls on the Member States to honour their obligations immediately;
36. Calls on those Member States which have applied transitional arrangements to the free movement of workers within the Union to open up their employment markets to workers from all the new Member States, given that any restrictions – even partial ones – on access to the labour market, not only run counter to the founding principles of the Union and the European spirit but also give rise to increasing recourse to undeclared work and create territorial imbalances; in this context, believes it vital to implement the principle of equal workers' rights and to counteract unfair competition and social dumping;
37. Considers that, in the case of workers benefiting from the right of free movement, their undeclared work may be due to a lack of familiarity with the relevant provisions; calls therefore on the Member States to mount public information campaigns to raise awareness of this matter among workers and employers;
38. Is of the opinion that simplifying or reducing administrative burdens and procedures, especially for small and medium-sized enterprises, would diminish the use of undeclared labour and promote business activity in the Union;
39. Invites the relevant national authorities to encourage the use of e-government and on-line registration, and to exchange good practices with the aim of reducing the costs and complexity of registration and administrative procedures for businesses and, in particular, for small and medium-sized enterprises, for example by reducing the number of tax forms, through one-data entries, single payment fiches and one-stop shops;
40. Takes the view that effective, on-the-spot inspections and sanctions must be directly introduced and Member States given the necessary margin of manoeuvre to contain the volume of undeclared work;
41. Expresses a demand for contractors to be held co-responsible for any contributory irregularities on the part of subcontractors to which they are linked with a direct subcontracting agreement;
42. Stresses that the number of cases of undeclared work in subcontracting chains might be reduced by a system of national provisions requiring contractors and developers to act responsibly and fairly;
43. Calls on the Member States, social partners and other key actors on the labour market to encourage corporate social responsibility (CSR) and other like approaches in order to combat undeclared employment;
44. Calls on the Member States to use innovative methods based on indicators and benchmarks specific to the various business sectors in order to combat undeclared work and fiscal erosion; calls upon the Commission to support the exchange of best practices among Member States in the fight against undeclared work;

45. Points out that, unless it is followed up by better coordination between Member States, a policy that is exclusively punitive could concentrate undeclared work in the less structured States and in the less regulated economies;
46. Strongly advocates the conclusion of agreements at regional, national and local levels that provide a progressive and sectoral response to illegal labour and encourage measures that provide effective solutions for the benefit of society as a whole;
47. Calls on the Commission, in this connection, to propose to the Member States and the social and economic stakeholders involved in combating undeclared work a 'pact to declare the undeclared', geared to allowing undeclared activities to gradually come to light; believes that such a pact should provide for a limited transitional period, during which there are no sanctions, at the end of which, however, stronger sanction mechanisms would come into effect;
48. Calls for stronger action to combat undeclared recruitment by all undertakings, irrespective of where their activity is pursued, and notes that the application of Council Framework Decision 2005/214/JHA of 24 February 2005 on the application of the principle of mutual recognition to financial penalties could improve the situation;
- ¹49. Calls for greater and more effective respect of the right to work and of existing employment rules, as one means of promoting the Decent Work Agenda and the application of Community laws, in particular those set out in Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services, from the first day of posting, on the basis of a congruent interpretation of the directive which reverses the current trend towards interpreting it in such a way as to vary the treatment of workers downwards towards minimum basic standards;
- ²50. Calls on the Commission to review Directive 96/71/, and in particular to reinforce administrative cooperation and exchanges of information between the competent national authorities (workplace inspectors, tax authorities and social security bodies) so as to prevent undeclared work and remedy the situation;
51. Advocates closer links between national labour inspectorates and measures to encourage exchanges of best practices at Community level in response to undeclared work;
52. Calls on the Member States to introduce more stringent inspection procedures and tighter checks, these having become laxer in a number of countries;
53. Hopes that the Union can play a greater role in promoting better and increased cooperation and coordination between labour inspectorates, by strengthening the economic and technological resources of inspection services, by intensifying measures enabling labour inspectorates to work together and by developing ICT systems for their shared use, in accordance with data protection legislation; in this context, calls on the Commission to carry out a study of feasibility into the establishment of some kind of permanent Community structure for cross-border cooperation that would draw together the efforts of the Member States in their fight against undeclared work;

¹ OJ L 76, 22.3.2005, p. 16.

² OJ L 18, 21.1.1997, p. 1.

54. Calls for greater cooperation and sharing of information between Member States in an effort to study the undeclared work phenomenon and to set out the results achieved and those which were unexpected;
55. Invites the Commission to consider whether the systems put in place by Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, including points of single contact, could be useful and operational for the purposes of the fight against undeclared work;
56. Welcomes the establishment of a high-level committee to assist Member States in identifying and exchanging good practices with regard to monitoring and to the improvement of legislation for posted workers;
57. Favours a stronger response to uninsured labour and measures to encourage cooperation and exchanges of views and best practices by trade unions in the EU;
58. Takes the view that there is a need to raise awareness amongst employers, workers, potential users of undeclared work and all social organisations of the risks and costs of undeclared work and of the benefits of eliminating or ensuring the regularity of that work;
59. Calls on the Commission and the Member States to launch an information campaign directed at employers and workers with the aim of drawing attention to the applicable minimum Community rules and regulations and the adverse effects that undeclared work has on public finances, national social security systems, fair competition, economic performance and workers themselves;
60. Calls for permanent campaigns concerning the prevention of undeclared work, with information and awareness-raising initiatives at Community, national and local levels, involving the social partners, public authorities, chambers of commerce and employment centres, schools, prefectures and the various control and punishment systems;
61. Considers that such permanent campaigns should accompany the various measures adopted with a view to instilling a culture of legality and promoting quality work and a legal business culture, and calls on the Member States, the relevant national authorities and the structures of civil society to unite their efforts and create circumstances of intolerance towards undeclared employment and change the public's view thereof;
62. Emphasises that Member States need to allocate more public funds to raising public awareness, inter alia, from the European Social Fund and the Community Programme for Employment and Social Solidarity – PROGRESS; suggests that activities to raise awareness should emphasise sanctions, costs, the risks of undeclared work and the benefits of declared work, such awareness raising being consonant with the main objectives of the Lisbon Strategy for growth and employment; invites the social partners to play an active role in that process;
63. Calls on all Member States to sign the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families;
64. Takes the view that, in order to combat the phenomenon of undeclared work, there is a need for local and Community programming instruments which allow both economic and social support and development policies to be pursued and supervisory and punitive action to be taken;
65. Calls on the Commission to assess the possibility of accompanying the fights against

- undeclared work with financial policies that support regional and local plans;
66. Calls on the Commission to develop a pilot tool for the Member States based on the good practices which exist in some Member States and models such as that developed by the 2 Plus project in Luxembourg (co-financed by the European Social Fund under the Objective 3 Programme) aimed at curbing non-declared work by making it less appealing through:
- very significant simplification of administrative requirements imposed upon employers, whilst ensuring social security cover for workers,
 - attractive tax rates for employers, including the deduction of charges concerning, *inter alia*, local work,
 - a tax exemption for all work carried out for pay lower than an amount to be determined by the Member State;
67. Takes the view that it would be desirable to study and assess the possibility of pursuing the channel of State aid exempted from the notification requirement for addressing the phenomenon of undeclared work, by broadly interpreting the expression 'job creation' and the meaning of 'creation of a regular job'; notes that undeclared employment is not equivalent to a proper job and therefore any incentive to ensure its regularity could be deemed 'employment creation aid';
68. Points out the generally weaker position of women on the labour market, which is often due to their family obligations, as a result of which access to the official labour market is hampered, and underpaid and undeclared work more readily accepted, making a mockery of the right to decent work, a right which is strongly supported by the International Labour Organisation, particularly in the case of housewives, illegal immigrants and women who sometimes combine a poorly paid job with undeclared work; points to the resulting serious consequences for the career advancement and retirement prospects of women, but also for the proper functioning of the labour market and the capacity for financing social security schemes;
69. Takes the view that a policy of recognising maternity and parental leave as working time and continuing to pay wages during these periods would diminish the adverse consequences of family obligations and contribute to the career advancement of women and also to the proper functioning of the labour market;
70. Calls for the financing of research projects into health and safety at work and of promotional activities geared to prevention and the dissemination of a culture of health and safety in the workplace, with particular reference to those sectors in which there is the highest risk of accident, in which undeclared labour is more prevalent; considers that the relationship between accidents at work and unlawful work should be investigated on the basis of the data on fatalities;
71. Considers that an appropriate training policy is a first step towards combating undeclared work;

72. Recommends that agreement be reached at national, regional and local levels involving social institutions and employers' organisations seeking a commitment to monitoring and progressively eliminating undeclared employment.
73. Welcomes the Commission's efforts to provide for sanctions against employers of illegally staying third-country nationals, but regrets the absence of measures to combat the exploitation of third-country nationals who are staying legally in the Union;
74. Stresses the significant impact on undeclared working of the Commission's proposal for a directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals, and expresses its concern that repressive measures are being put in place before any common framework of rules and policies on lawful access to the employment market has been laid down;
75. Notes the progress contained in the proposal for a Council Directive on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State (COM(2007)0638), but regrets that there is still a long way to go in order to guarantee the rights enshrined in Articles 27 to 34 of the Charter of Fundamental Rights of the European Union;
76. Calls on the Member States to take measures to alleviate the particular vulnerability of the immigrant population in undeclared employment;
77. Takes the view that the issue of the employment of immigrants in an illegal situation is a complex one which cannot only be resolved simply by punishing employers, but which also calls for cross-sector, wide-ranging measures; in particular, believes it necessary to ensure compliance with ILO guidelines on support for migrant workers seeking to ensure that their rights are respected;
78. Believes that the fight against undeclared work requires a comprehensive approach which must take into account the need to safeguard and promote the rights of migrant workers, whether legal or illegal, who are exploited by their employers;
79. Believes that the fight against undeclared work performed by illegal immigrants cannot be effective without opening up channels for legal migration in order to guarantee the third-country labour which the Union needs, be it highly skilled or less skilled;
80. Considers that the fight against the growing informal economy and, in particular, against the exploitation of migrant workers in an illegal situation can be based not only on a policy of repatriation, but also on instruments and mechanisms to prevent and combat the exploitation of migrant workers, making provision for the recognition of and respect for fundamental human rights;
81. Calls on all Member States to urgently sign and ratify the Council of Europe Convention on Action against Trafficking in Human Beings;
82. Calls on the Member States to define or strengthen the appropriate legislative measures to encourage migrants who are victims of exploitation to report their situation, which would make it easier, in particular, to fight more effectively against undeclared work;

83. Advocates combined financial, fiscal and labour inspection procedures to combat undeclared work;
84. Invites the Commission to foster administrative cooperation and the exchange of good practices in the fight at Community level against the informal economy;
85. Instructs its President to forward this resolution to the governments and parliaments of the Member States and to the Council and Commission.

EXPLANATORY STATEMENT

The extent of undeclared work is such that the EU and its institutions cannot just look on passively. When the rate of undeclared work exceeds 20%, this reflects a situation of widespread illegality which cannot be tolerated as it generates a strong distortion of competition between companies and territories. There are various reasons for undeclared work: undoubtedly there are a number of flaws inherent in labour markets; but it is also a question of some companies undergoing reorganisation and others displaying a degree of fragility, incapable of holding their own on the market. Other reasons may be: illegal immigration, but also EU immigration; the behaviour of the public authorities, which is not always virtuous, and inadequate tax policies. However, there needs to be greater awareness of the fact that the failure to seriously combat undeclared work is liable to greatly weaken social security schemes in Europe in the near future. Indeed, with the historic challenges Europe has to face – globalisation and demographic trends – it will be difficult to frame suitable policies unless we are able to reduce the area occupied by the informal economy. But these are not the only consequences of undeclared work.

By its very nature, it is insecure work from every point of view. Looking at the data on accidents at work, it is clear that most of these accidents are caused by the type of work.

For this reason too, the Commission's target of reducing accidents at work by 25% by 2014 must be achieved by fighting a strong battle against undeclared work.

A further consequence is the distortion of competition in Europe between firms which operate in compliance with the rules and those which breach the rules. How can we conceive of building a Europe of transparent competition if part of the market is artificially inflated? Lastly, there is another important aspect which needs to be underlined. Undeclared work is a destabilising factor for all labour markets, resulting in situations that are difficult to handle.

Here too, it will be hugely difficult for us to move towards the modernisation of labour and flexicurity itself unless we are able to eradicate undeclared work and thus create employment markets that are less segmented and more uniform. Ultimately, it should be fairly clear that if Europe wishes to attain the objectives set out in the Lisbon Strategy it has no option but to take on this battle seriously.

There is no doubt that EU-27 will increasingly be assessed on the consistency of its own policies and its capacity and will to make actions speak louder than words.

This is true in all fields, but it is worth remembering that employment is one of the areas of the greatest concern to public opinion, because the social future of Europe, its economic capacity and the well-being of European citizens depend on it.

The task is therefore a difficult one. It does not call for many words but, above all, needs clear, specific action.

Furthermore, the particular nature of the European approach in this sector plainly shows that there is some difficulty in converting the new policy guidelines into well-defined legal and institutional instruments which, in turn, can be transformed into specific measures in each

individual Member State.

This is because in its action on undeclared work the European Union continues to focus on soft law instruments, resulting in an inability to give a new thrust, in terms of pro-activeness and incisiveness, to European action to combat this phenomenon. In this regard, however, it would be fair to point out that while harmonisation techniques in the area of undeclared work have come to a standstill over the past few years, the use of soft law has gradually brought about a degree of convergence of Member States towards strategies to combat this problem. Obviously, one cannot but note the strong asymmetry between the instruments the European Union can and wants to use for quality work policies and the instruments it uses for policies aimed at safeguarding market freedoms.

To combat undeclared work the Commission speaks of a move to rationalise national rules on labour relations and make them effective, setting out some very interesting objectives but without equipping itself with specific, appropriate instruments with which to achieve those objectives.

For instance, consideration should be given as to whether or not to reduce constraints on the use of atypical work, to use the Structural Funds for the same reason, or to provide support, also by means of a directive, for transnational collective bargaining with a view to moving towards the homogenisation of minimum salaries in Europe.

For all these reasons there is therefore much to be done to strengthen the fight against undeclared work. This report seeks to address these issues and the working proposals set out herein aim to sketch out a roadmap in support of this battle.

17.7.2008

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS (*)

for the Committee on Employment and Social Affairs

on stepping up the fight against undeclared work
(2008/2035(INI))

Rapporteur (*): Theodor Dumitru Stolojan

(*) Associated committees – Rule 47 of the Rules of Procedure

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Encourages the Member States to continue further with tax and social security system reforms, thus reducing the burden of taxation on the work force;
2. Welcomes the approach taken by the Commission and calls also for a renewed fight against undeclared work and the underground economy, which – albeit to a varying extent among the Member States – damage the economy, leave workers unprotected, are detrimental to consumers, reduce tax revenue and lead to unfair competition between undertakings;
3. Calls for a strategy towards combating undeclared work based on strong and efficient coordination and administrative cooperation between government enforcement agencies, labour inspectorates and the social partners, social security administrations and tax authorities;
4. Calls on the Member States to use innovative methods based on indicators and benchmarks specific to the different business sectors in order to combat undeclared work and fiscal erosion; and calls upon the Commission to support the exchange of best practices among Member States in the fight against undeclared work;
5. Calls on the Member States to withdraw the transitional provisions limiting the mobility

of workers from the new Member States by 2009, when Member States will have to decide again on transitional restrictions for new Member States, since such mobility is in fact taking place and those workers often end up in undeclared work;

6. Welcomes the Commission initiative to bring proceedings before the Court of Justice of the European Communities against those Member States that have still not introduced into national law the automatic recognition of qualifications obtained in the new Member States; calls on the Member States to honour their obligations immediately;
7. Calls on the Commission and the Member States to launch an information campaign directed at employers and workers with the aim of drawing attention to the applicable minimum Community rules and regulations and the adverse effects that undeclared work has on public finances, national social security systems, fair competition, economic performance and workers themselves;
8. Emphasises that Member States need to allocate more public funds to raising public awareness, including from, inter alia, the European Social Fund or the the Community Programme for Employment and Social Solidarity - PROGRESS; suggests that activities to raise awareness should emphasise sanctions, costs, the risks of undeclared work and the benefits of declared work, such awareness raising being consonant with the main objectives of the Lisbon Strategy for growth and employment; invites the social partners to play an active role in that process;
9. Notes that the elimination of the informal economy cannot be achieved without the implementation of appropriate incentive mechanisms; considers that the Member States should report, in the context of the Lisbon Scoreboard, which achievements have materialised as a result of reducing the size of the informal economy;
10. Invites the Member States to consider sector-specific approaches when taking policy action concerning the regularisation of undeclared work;
11. Invites the relevant national authorities to encourage the use of e-government and on-line registration, and to exchange good practices with the aim of reducing the costs and complexity of registration and administrative procedures for business and, in particular, for small and medium-sized enterprises, for example by reducing the number of tax forms, through one-data entries, single payment fiches and one-stop shops;
12. Calls for stronger enforcement of, and sanctions for the breach of, existing legislation in the fight against undeclared work;
13. Invites the Commission to foster administrative cooperation and exchange of good practices in the fight at Community level against the informal economy.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	16.7.2008
Result of final vote	+ : 32 - : 0 0 : 0
Members present for the final vote	Mariela Velichkova Baeva, Zsolt László Becsey, Pervenche Berès, Slavi Binev, Sebastian Valentin Bodu, Sharon Bowles, David Casa, Manuel António dos Santos, Elisa Ferreira, Jean-Paul Gauzès, Donata Gottardi, Benoît Hamon, Gunnar Hökmark, Sophia in 't Veld, Othmar Karas, Wolf Klinz, Andrea Losco, Astrid Lulling, Gay Mitchell, Joseph Muscat, John Purvis, Heide Rühle, Eoin Ryan, Antolín Sánchez Presedo, Ivo Strejček, Ieke van den Burg, Sahra Wagenknecht
Substitute(s) present for the final vote	Dragoş Florin David, Thomas Mann, Gianni Pittella, Bilyana Ilieva Raeva, Theodor Dumitru Stolojan

16.7.2008

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Employment and Social Affairs

on stepping up the fight against undeclared work
(2008/2035(INI))

Rapporteur: Benoît Hamon

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes that cases of undeclared work are increasing in the context of the free movement of workers in the internal market; considers that this is harmful to workers, public finances and the smooth operation of the internal market, as well as to healthy competition;
2. Urgently calls on the Member States to put an end as soon as possible to the transitional arrangements limiting the mobility of workers from the new Member States, as these restrictions encourage undeclared work;
3. Considers that, in the case of workers benefiting from freedom of movement, undeclared work may be due to a lack of familiarity with the relevant provisions; calls therefore on the Member States to mount public information campaigns to raise awareness of this matter among workers and employers;
4. Calls on the Member States to take measures to alleviate the particular vulnerability of the immigrant population in undeclared employment;
5. Calls on the Commission to review Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers in the framework of the provision of services¹, and in particular to reinforce administrative cooperation and exchanges of information between the competent national authorities (workplace inspectors, tax administrations, social security bodies) so as to prevent undeclared work and remedy the situation;

¹ OJ L 18, 21.1.1997, p.1

6. Asks the Commission to consider whether the systems put in place by Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market¹, including points of single contact, could be useful and operational for the purposes of the fight against undeclared work;
7. Stresses that the number of cases of undeclared work in subcontracting chains might be reduced by a system of national provisions requiring contractors and developers to act responsibly and fairly;
8. Calls on the Member States to work together to reduce the amount of undeclared work and to implement policies suited to their specific requirements;
9. Encourages Member States to make use of the policy tools they have at their disposal combining preventive action and sanctions aiming at transforming undeclared work into regular employment, and where possible to coordinate the use of those tools in order to achieve greater coherence throughout the internal market;
10. Recommends that agreement be reached at national, regional and local level involving social institutions and employers' organisations seeking a commitment to monitoring and progressively eliminating undeclared employment.

¹ OJ L 376, 27.12.2006, p. 36.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	15.7.2008
Result of final vote	+: 18 -: 16 0: 3
Members present for the final vote	Gabriela Crețu, Mia De Vits, Janelly Fourtou, Martí Grau i Segú, Małgorzata Handzlik, Malcolm Harbour, Anna Hedh, Eija-Riitta Korhola, Kurt Lechner, Lasse Lehtinen, Toine Manders, Catiuscia Marini, Nickolay Mladenov, Catherine Neris, Bill Newton Dunn, Zita Pleštinská, Zuzana Roithová, Heide Rühle, Leopold Józef Rutowicz, Salvador Domingo Sanz Palacio, Christel Schaldemose, Andreas Schwab, Eva-Britt Svensson, Jacques Toubon, Barbara Weiler, Marian Złotea
Substitute(s) present for the final vote	Emmanouil Angelakas, André Brie, Giovanna Corda, Jan Cremers, Benoît Hamon, Joel Hasse Ferreira, Filip Kaczmarek, Manuel Medina Ortega, José Ribeiro e Castro, Olle Schmidt
Substitute(s) under Rule 178(2) present for the final vote	Dragoș Florin David, Jan Olbrycht

9.9.2008

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS

for the Committee on Employment and Social Affairs

on stepping up the fight against undeclared work
(2008/2035(INI))

Rapporteur: Claudio Fava

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas migrants, legal or illegal, are the main victims of the exploitation associated with undeclared work,
 - B. whereas illegally employed third-country nationals are all the more vulnerable as they are likely to be returned to their country of origin if caught,
 - C. whereas the availability of undeclared work is a factor in encouraging illegal immigration and creates preconditions for the exploitation of immigrants,
-
- 1. Welcomes the Commission's efforts to provide for sanctions against employers of illegally staying third-country nationals, but regrets the absence of measures to combat the exploitation of third-country nationals who are staying legally in the EU;
 - 2. Calls on Member States to strengthen surveillance and sanction mechanisms, with the involvement of labour inspectorates, tax offices and social partners;
 - 3. Notes the progress contained in the proposal for a Council Directive on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State (COM(2007)0638), but regrets that there is still a long way to go in order to guarantee the rights enshrined in Articles 27 to 34 of the Charter of Fundamental Rights of the European Union;
 - 4. Believes that the fight against undeclared work requires a comprehensive approach which must take into account the need to safeguard and promote the rights of migrant workers, whether legal or illegal, who are exploited by their employers;

5. Believes that the simplification and coordination of Member States' administrative systems would bolster the fight against undeclared work;
6. Believes that the fight against undeclared work by illegal migrants cannot be effective without opening up channels for legal migration in order to guarantee the third-country labour which the European Union needs, whether highly skilled or less skilled;
7. Calls on the Member States to define or strengthen the appropriate legislative measures to encourage migrants who are victims of exploitation to report their situation, which would help, in particular, to fight more effectively against undeclared work;
8. Believes that there is a need to step up the fight against human trafficking, which is often linked with undeclared work.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	8.9.2008
Result of final vote	+: 34 -: 0 0: 1
Members present for the final vote	Alexander Alvaro, Emine Bozkurt, Philip Bradbourn, Mihael Brejc, Jean-Marie Cavada, Carlos Coelho, Elly de Groen-Kouwenhoven, Esther De Lange, Gérard Deprez, Agustín Díaz de Mera García Consuegra, Bárbara Dührkop Dührkop, Claudio Fava, Armando França, Kinga Gál, Patrick Gaubert, Jeanine Hennis-Plasschaert, Ewa Klamt, Wolfgang Kreissl-Dörfler, Henrik Lax, Baroness Sarah Ludford, Claude Moraes, Javier Moreno Sánchez, Rareș-Lucian Niculescu, Martine Roure, Inger Segelström, Renate Weber, Tatjana Ždanoka
Substitute(s) present for the final vote	Edit Bauer, Frieda Brepoels, Simon Busuttil, Elisabetta Gardini, Sylvia-Yvonne Kaufmann, Jean Lambert, Marian-Jean Marinescu, Siiri Oviir

18.7.2008

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND GENDER EQUALITY

for the Committee on Employment and Social Affairs

on stepping up the fight on undeclared work
(2008/2035(INI))

rRapporteur: Astrid Lulling

SUGGESTIONS

The Committee on Women's Rights and Gender Equality calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- having regard to the European Foundation for the Improvement of Living and Working Conditions document entitled 'Stepping Up the Fight on Undeclared Work'¹,
 - having regard to the study by the European Commission, DG Employment and Social Affairs, on "undeclared work in the an enlarged union an analysis of undeclared work: an in-depth study of specific items (March 2004),
1. Stresses that women are not over-represented where undeclared work is concerned, but when compared with men they nevertheless account for a larger proportion of jobs in a number of 'traditionally female' areas of the labour market such as domestic service, the hotel and restaurant trade and health care that are characterised by low skills, poor job security, low wages and low or non-existent social protection, which often places them in a particularly vulnerable position;
 2. Points out the generally weaker position of women on the labour market, which is often due to their family obligations, as a result of which access to the official labour market is hampered, and underpaid and undeclared work more readily accepted, making a mockery of the right to decent work, a right which is strongly supported by the International Labour Organisation, particularly in the case of housewives, illegal immigrants and women who sometimes combine a poorly paid job with undeclared work; points to the resulting serious consequences for the career advancement and retirement of women, but also for the proper functioning of the labour market and the capacity for financing social security schemes;

¹ <http://www.fr.eurofound.eu.int/pubdocs/2008/13/en/1/ef0813en.pdf>

3. Takes the view that a policy of recognising maternity and parental leave as working time and continuing to pay wages during these periods will diminish the adverse consequences of family obligations and contribute to the career advancement of women and also to the proper functioning of the labour market;
4. Calls on the Commission to develop a pilot tool for the Member States based on the good practices which exist in some Member States and models such as that developed by the 2 Plus project in Luxembourg (co-financed by the European Social Fund under the Objective 3 Programme) aimed at curbing non-declared work by making it less appealing through:
 - a huge simplification of administrative requirements for employers, whilst guaranteeing social security cover for workers,
 - attractive tax rates for the employer, including through the deduction of charges concerning inter alia locally based work,
 - a tax exemption for all work carried out for lower pay than an amount to be determined by the Member State;
5. Draws attention to service voucher schemes in Belgium, Germany and France, whereby households can buy household services at a lower price but still ensure that social security contributions and taxes are paid through the voucher;
6. Calls on the Commission to propose to the Member States a framework statute for spouses or family members helping in family businesses to guarantee their compulsory membership of a social security scheme¹;
7. Points out that running a family is itself a family business and that it recognising atypical family work and including it in a social security scheme should be considered;
8. Stresses the essential need to set up an EU-level platform for the collection, in close cooperation with the Member States, of the information required for the establishment of a reliable database on undeclared work within the EU, with due regard for the gender dimension and, in particular, the situation of women.

¹ European Parliament Resolution of 21 February 1997 on the situation of spouses assisting self-employed workers (OJ C 85, 17.03.1997, p. 186).

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	16.7.2008
Result of final vote	+: 32 -: 0 0: 0
Members present for the final vote	Edit Bauer, Emine Bozkurt, Hiltrud Breyer, Edite Estrela, Věra Flasarová, Lissy Gröner, Esther Herranz García, Livia Járóka, Rodi Kratsa-Tsagaropoulou, Urszula Krupa, Roselyne Lefrançois, Astrid Lulling, Siiri Oviir, Marie Panayotopoulos-Cassiotou, Zita Pleštinská, Anni Podimata, Karin Resetarits, Eva-Britt Svensson, Anne Van Lancker, Corien Wortmann-Kool, Anna Záborská
Substitute(s) present for the final vote	Gabriela Crețu, Lena Ek, Iratxe García Pérez, Lidia Joanna Geringer de Oedenberg, Anna Hedh, Christa Kläß, Marusya Ivanova Lyubcheva, Maria Petre, Zuzana Roithová, Heide Rühle
Substitute(s) under Rule 178(2) present for the final vote	Manolis Mavrommatis

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	10.9.2008
Result of final vote	+: 41 -: 2 0: 4
Members present for the final vote	Jan Andersson, Edit Bauer, Iles Braghetto, Philip Bushill-Matthews, Milan Cabrnach, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Jean Louis Cottigny, Jan Cremers, Proinsias De Rossa, Harald Ettl, Richard Falbr, Carlo Fatuzzo, Ilda Figueiredo, Roger Helmer, Stephen Hughes, Karin Jöns, Ona Juknevičienė, Jean Lambert, Bernard Lehideux, Elizabeth Lynne, Thomas Mann, Maria Matsouka, Mary Lou McDonald, Elisabeth Morin, Juan Andrés Naranjo Escobar, Csaba Öry, Siiri Oviir, Pier Antonio Panzeri, Rovana Plumb, Jacek Protasiewicz, Bilyana Ilieva Raeva, Elisabeth Schroedter, José Albino Silva Peneda, Jean Spautz, Gabriele Stauner, Ewa Tomaszewska, Anne Van Lancker, Gabriele Zimmer
Substitute(s) present for the final vote	Petru Filip, Donata Gottardi, Rumiana Jeleva, Anne E. Jensen, Sepp Kuststatscher, Claude Moraes, Roberto Musacchio, Csaba Sógor