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REPORT

on the Commission communication on undeclared work
(COM(1998) 219 – C4-0566/1998 – 1998/2082(COS))

Committee on Employment and Social Affairs

Rapporteur: Anne-Karin Glase

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PROCEDURAL PAGE

By letter of 8 April 1998, the Commission forwarded to Parliament a communication on undeclared work (COM(1998) 219 – 1998/2082(COS)).

At the sitting of 23 October 1998 (confirmed at the sitting of 4 October 1999) the President of Parliament announced that she had referred the communication to the Committee on Employment and Social Affairs as the committee responsible and the Committee on Women's Rights and Equal Opportunities for its opinion (C4-0566/1998).

The Committee on Employment and Social Affairs appointed Anne-Karin Glase rapporteur at its meeting of 5 January 1999 (confirmed on 26 July 1999).

It considered the Commission communication and the draft report at its meetings of 25 January 1999, 22 April 1999, 21 June 2000, 28 and 29 August 2000.

At the last meeting it adopted the motion for a resolution by 37 votes to 4, with 5 abstentions.

The following were present for the vote: Michel Rocard, chairman; Winfried Menrad and Marie-Thérèse Hermange, vice-chairmen; Anne-Karin Glase, rapporteur; Sylviane H. Ainardi, Jan Andersson, Elspeth Attwooll (for Daniel G.L.E.G. Ducarme), María Antonia Avilés Perea, Theodorus J.J. Bouwman (for Ian Stewart Hudghton), Philip Rodway Bushill-Matthews, Alejandro Cercas Alonso, Luigi Cocilovo, Elisa Maria Damião, Proinsias De Rossa, Den Dover (for James L.C. Provan), Carlo Fatuzzo, Ilda Figueiredo, Hélène Flautre, Fiorella Ghilardotti, Marie-Hélène Gillig, Richard Howitt (for Harald Ettl), Stephen Hughes, Anne Elisabet Jensen (for Massimo Cacciari), Karin Jöns, Piia-Noora Kauppi (for Fernando Reis), Dieter-Lebrecht Koch (for David Sumberg), Ioannis Koukiadis, Rodi Kratsa, Arlette Laguiller, Jean Lambert, Elizabeth Lynne, Thomas Mann, Mario Mantovani, Mauro Nobilia, Juan Ojeda Sanz (for Manuel Pérez Álvarez), Ria G.H.C. Oomen-Ruijten (for Bartho Pronk), Tokia Saïfi, Luciana Sbarbati, Herman Schmid, Peter William Skinner (for Claude Moraes), Miet Smet, Ilkka Suominen, Ieke van den Burg, Anne E.M. Van Lancker, Barbara Weiler and Sabine Zissener (for Guido Podestà).

The opinion of the Committee on Women's Rights and Equal Opportunities is attached.

The report was tabled on 30 August 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission communication on undeclared work (COM(1998) 219 – C4-0566/1998 – 1998/2082(COS))

The European Parliament,

- having regard to the Commission communication (COM(1998) 219 – C4-0566/1998¹),
 - having regard to 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 services²,
 - having regard to the joint statement on the black economy by the European social partners in the cleaning industry, the European Federation of the Cleaning Industry (EFCI) and the International Federation of Employees and Technicians (Euro-Fiet), adopted in October 1998 in the framework of their European social dialogue,
 - having regard to the Council Resolution of 22 February 1999 on the 1999 Employment Guidelines³,
 - having regard to the Council Resolution 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 workers⁴,
 - having regard to the Council Decision of 28 February 2000 authorising Member States to apply a reduced rate of VAT to certain labour-intensive services in accordance with the procedure provided for in Article 28(6) of Directive 77/388/EEC⁵,
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs and the opinion of the Committee on Women's Rights and Equal Opportunities (A5-0220/2000),
- A. whereas one cause of undeclared work is poverty, which clearly can be seen in the statistics showing that the problem is greater in poorer regions and low-income sectors,
- B. whereas the phenomenon of undeclared work appears to be growing in many Member States and to be expanding faster than the formal economy,
- C. whereas it is by definition difficult to determine the extent of undeclared work,
- D. whereas undeclared work has a significant impact on public finances, owing to the resulting tax and social contribution revenue losses, and whereas it leads to evasion of rules on health and safety at the workplace and agreements on working hours and minimum wages and

¹ OJ C (not yet published)

² OJ L 18, 21.1.1997, p. 1

³ OJ C 69, 12.3.1999, p. 2

⁴ OJ C 125, 6.5.1999, p. 1

⁵ OJ L 59, 4.3.2000, p. 10

distorts cooperation between the social partners and, in short, is causing considerable political, social and economic damage in the European Union,

- E. having regard to the estimated share of undeclared work in GDP and the demonstrable importance of the GDP in calculating politically important matters such as budget deficit and public debt, regional underdevelopment, economic growth or poverty,
 - F. whereas action against undeclared work will make a substantial and direct contribution to action against unemployment and represents a firm intention and an effort to create stable, secure employment (quality employment),
 - G. whereas the fight against undeclared work means that there has been a clear infringement of the law and demonstrates a lack of solidarity on the part both of those who make such work available and of those who seek and accept it (although their responsibilities are quite different), and whereas it is therefore a serious matter,
 - H. whereas awareness of the extent of the damage caused by undeclared employment is growing only very slowly,
 - I. whereas action against undeclared work is needed at all political levels, irrespective of the impact or effect which undeclared work has on the economy of each state, region or smaller local area,
 - J. whereas undeclared work can be successfully combated only by a combination of prevention and deterrence, by improving conditions on the one hand and by detection and sanctions on the other,
 - K. whereas, partly owing to a lack of Community legislation, the right to freedom of movement and freedom to provide services makes it easier to undermine national efforts to combat undeclared work,
 - L. having regard to the nominal increase in, and also the potential shift of, undeclared work as a result of enlargement and the efforts required to chart the nature and scope of undeclared work in the countries of Central and Eastern Europe,
- 1. Calls as the first step for each Member State to make an inventory of the sectors and categories of person most concerned, and hopes that the most efficient forms of action in these individual situations will be selected and combined in a programme of action;
 - 2. Calls for an interdisciplinary or interministerial body (based on the French example) to coordinate all activities and all players in the framework of this action programme to implement this action programme;

3. Asks to be informed whether or not the Member States (in agreement or otherwise with trade union organisations) have already adopted initiatives designed to combat undeclared work; if so, asks to be informed regarding the instruments adopted and the results achieved;
4. Considers that action against undeclared work should, in view of its volume and high growth rate, form an active part of the employment strategy and policy on social cohesion;
5. Refers in this respect to the usefulness, and the necessity, of initiatives to establish standard rules for paid domestic work which is largely performed by women;
6. Calls therefore for the incorporation of the action programmes into the National Action Plans for the employment policy guidelines to create reciprocal transparency and for the assessment of their effectiveness;
7. Calls on the Commission to develop methods to describe and register the forms and extent of undeclared work and to assess its impact on the economy and on social solidarity;
8. Calls on the Commission also to make the information thus gathered available to all political decision-makers in an annual report and to intensify this process by an annual conference;
9. Calls on the Member States to take action, both preventive and curative, against undeclared work through clear rules and changes in the burden of taxation, and repressive action through adequate checks and sufficient penalties, preferably with a deterrent effect. Given the cross-border trend in the labour markets, this presupposes, at European level, an exchange of information and personnel, cooperation between detection and prosecution services, coordination of inspections (particularly in border areas) and of the courts (execution of judgements) and harmonisation of minimum standards on checks and sanctions;
10. Calls, in the light of enlargement, for these minimum standards also to be part of the *acquis communautaire* (administrative law) or the *corpus juris* (penal law);
11. Hopes, in view of the links between the level of undeclared work and the level of tax and contributions and the degree of social cohesion and social protection, that Member States will make further efforts to reduce tax and contribution levels and to bring greater flexibility to the labour market, while guaranteeing social protection;
12. Is convinced of the positive effect on action against undeclared work of the reduction in VAT rates for labour-intensive services which the Council Decision of 28 February 2000 allows the Member States to make, and calls on the Member States which have not yet taken this opportunity to review their decision; calls on the Commission also to evaluate the impact of this Council Decision and to consider the possibility of prolonging it after this evaluation;
13. Believes that European legislative activity must take greater account of the problem of undeclared work, for example in efforts to coordinate taxation and social security and in respect of other measures generating administrative expenditure and cost which can help increase undeclared work;
14. Calls on the Commission to evaluate in particular the incidence of cross-border undeclared work, given that border regions have traditionally been fertile ground for this type of work, and if necessary combat it through legislation;

15. Calls for the exclusion of 'black sheep' from tendering for or the performance of public contracts placed in the Member States or by the EU institutions or in connection with public projects financed by the structural funds;
16. Calls on governments to ensure, when contracts are awarded, that none is awarded to firms whose bid is clearly based in part on undeclared work;
17. Calls on the Commission to investigate the phenomenon of undeclared work in declared firms, i.e. firms where the same workers work partly on a declared basis and partly undeclared (on the black) and, where appropriate, to submit proposals for combating this;
18. Calls for a form of solidarity liability for large contracting firms which, because of unrealistic prices, force their suppliers into a position where they can no longer cover their costs and regard undeclared work as of trivial importance;
19. Calls for the creation, based on EU legislation and the 'Dutch model', of the option of greater joint and several liability for general contractors and subcontractors;
20. Calls on the Council to develop the April 1999 code of conduct into an effective instrument;
21. Calls on the Commission in this connection to revise the Directive on the posting of workers in view of its shortcomings in practice, and in particular to strengthen cooperation between the Member States pursuant to Article 4 of that directive;
22. Calls on the Member States to increase their efforts to combat bogus self-employment but also at the same time to adapt certain protective rules to this type of work when they meet the genuine needs of the economy;
23. Calls on the social partners to tackle undeclared work with greater determination and hopes that appropriate rules to encourage formal employment contracts will be adopted in order to ensure that workers whose situation has been regularised by means of a contractual agreement enjoy the fiscal and contributory benefits offered to the newly employed under the laws of their particular Member State;
24. Calls on the Member States to give more publicity to this problem, of which there is as yet insufficient public knowledge and awareness, to strengthen social dialogue and to organise information campaigns to that effect, especially in conjunction with the social partners;
25. Calls on Member States to introduce the right for the social partners to bring a legal action as a means of putting a check on undeclared work;
26. Takes the view that, in the interests of the individual, of a functioning labour market and of the affordability of social security systems, measures should be taken to promote the integration of undeclared work into the normal labour market, for example: adaptation of employment law, flexible working hours, reduction in tax burden and granting of separate social protection independently of the spouse's occupation;

27. Calls for the launching of a debate in depth on the future form of social security systems with a view to curbing undeclared work, in the light of the changes caused by the development of communications technology and the flexibilisation of employment;
28. Calls for suitable means and methods to be studied and developed in order to prevent non-declared work from infiltrating new ways of working (internet, home working, part-time working, etc.);
29. Emphasises that, while women overall are not over-represented where undeclared work is concerned, when compared with men they nevertheless account for a far larger proportion of jobs in a number of areas of the labour market that are characterised by low skills, poor job security, low wages and low or non-existent social protection;
30. Points out that the generally weaker position of women on the labour market 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; points also to the resulting serious consequences for the career advancement of women; advocates information campaigns for those concerned about the risks and drawbacks of engaging in undeclared work and about the holding of factory inspections;
31. Calls on the Commission to step up monitoring of compliance with the principle of equal treatment in the Member States and, in so doing, to make full use of the legal bases created by the Amsterdam Treaty; asks the Commission for an annual report on the progress achieved;
32. Instructs its President to forward this resolution to the Council, Commission, Member States, social partners and the International Labour Organisation.

EXPLANATORY STATEMENT

A. Introduction

By definition, undeclared work escapes official records and by its nature largely escapes statistical quantification. A number of studies have sought to overcome this problem and to estimate the size of the black economy. It is over 15% of EU-GDP. Estimates vary widely, according to the methods used and the definitions adopted. There are also considerable differences in volume between the individual Member States; the figures are comparable to only a limited degree (no data for Luxembourg or Finland).

Percentage of GDP	
5 – 10%	Austria
10 – 20%	Denmark, Germany, France, UK, Ireland, the Netherlands and Sweden
Over 20%	Belgium, Greece, Italy and Spain

There are also substantial regional differences within individual states (in Italy the overall figure for undeclared workers is 17.8% of the normally declared workforce, while the figure for southern Italy is 31.3%).

Although different figures appear in other studies, the volume is huge even at the lowest assumptions. These high percentages of GDP correspond to between 10 and 28 million labour units, or between 7 and 19% of the volume of total employment in the EU. **It is clear from all these studies that the figures for the individual countries have increased between two and three times as fast as growth in GDP. The black economy is growing much faster than the official economy (for example in Germany growth in GDP is estimated at 2.7% for the year 2000 and at 6.8% in the shadow economy).**

What data there is indicates that there has also been a huge increase in undeclared employment in the applicant countries since the start of the transformation process:

Percentage of GDP	
Below 10%	Slovakia
10 – 20%	Poland, Czech Republic and Romania
Over 20%	Baltic States, Bulgaria and Hungary

Billions of euros are being lost on account of undeclared work, which are sorely missed in the current highly stretched national budgetary situations in view of the substantial efforts to achieve stability and the shortage of funds for social security systems in many Member States.

The Commission communication seeks to launch a debate on undeclared work. The Commission also provides a comprehensive analysis of the nature and extent of the problem. It shows incentives and proposals for combating undeclared work. Unfortunately the tables showing measures in the Member States and the country fiches are not particularly informative or well set out. This is however important in that it will prompt the attention this issue deserves. It must be the starting point for greater efforts to combat this increasingly serious problem.

B. Analysis

I. Definition

Even defining the subject is complicated. Undeclared work is defined by the individual national legal systems. Because of the different ways Member States treat undeclared work, it is difficult to find an EU definition acceptable to a consensus.

The Commission defines it as 'any paid activities that are lawful as regards their nature but not declared to the public authorities, taking in account differences in the regulatory system of Member States'. This definition does not go far enough. The concepts of bogus self-employment ('worker-entrepreneurs'), subcontracting and shadow economy are also used indiscriminately in the communication.

Regarding the term '**undeclared work**': in many countries failure to declare is an offence in itself. By way of a negative definition it is clear that undeclared work does not include criminal activities (purpose of the activity) or of course activities which do not have to be declared (e.g. neighbourhood collaboration schemes). The nature of the paid activity to produce legal products and services and the declaration requirement should therefore be stressed.

In respect of **bogus self-employment**, the essential point is the illegal avoidance of a regular employment relationship in order to gain certain mutual financial advantages. In such circumstances the activity itself can be declared, but the contractual form may be illegal. In some cases such breaches of labour legislation may produce the negative effects of undeclared work.

The increasing fragmentation of the value added chain is producing subcontracting chains in which, despite declaration and theoretical compliance, similar effects to undeclared work may arise in relation to bogus self-employment and complex legal and financial structures.

The combination of bogus self-employment and subcontracting chains, where there is a **cross-border element**, has led - in particular in the construction industry - to situations where the national authorities may be played off against each other by the exploitation of the Member States' differing legal systems and their lack of cooperation.

The term '**shadow economy**' often covers the whole field including criminal activities and should therefore be distinguished from undeclared work.

Undeclared workers may be roughly divided into four categories:

1. by far the largest group comprises **multi-job holders** who, in addition to their main (full or part-time job), pension or self-employed activities, conduct undeclared activities on the side;
2. **economically inactive persons such as students or housewives** who can work more flexible hours than those in full-time employment;
3. **persons declared as unemployed**, whose activities on the side also constitute an abuse of their benefits;
4. **non-EU nationals illegally living in the EU** who can perform only work undeclared.

Three groups of sectors can be identified:

1. **labour-intensive activities** (e.g. agriculture, construction, hotel and catering, the retail trade, domestic care, cleaning);
2. industries where **cost is the major factor in competition** (e.g. textiles, construction again, and industrial cleaning);
3. **innovative sectors** e.g.- the Internet, teleworking.

The breakdown and volume of the various categories and sectors differ widely from one Member State to another. The same is true of the distribution of undeclared workers by age and sex. Across Europe the construction industry accounts for about one-third of the volume of undeclared work.

II. Causes

The Commission communication concentrates on economic causes of undeclared work. It refers to the opportunity for workers to increase their earnings and to evade tax and social security contributions and for employers to reduce costs.

The main cause described in all the studies is the rapidly increasing and now very high, level of taxes and social security contributions. The increased financial benefits to undeclared workers and their employers/principals are the main **motive**: the undeclared worker or subcontractor increases his earnings while the employer/principal cuts his costs. The only way this magic result can be achieved is by not paying social security contributions or taxes, especially VAT.

Inflexible and obsolete employment legislation is also quoted as a cause, without further explanation, by the Commission. Regulatory and administrative burdens are also claimed to encourage undeclared work. The Commission does however go too far in claiming that the existence of craft corporations may also be conducive to undeclared work, as these bodies may also help combat it (see country example below).

The development of undeclared work has also been encouraged by increasing demand for labour intensive 'personalised' services and the creation of **new organisational forms in the industrial value added chain and the requirement for operational flexibility** (outsourcing, higher service content). This again encourages the worker-entrepreneurs and chains of subcontractors.

There is also an evident and **direct link between shorter working hours and early retirement and the increase in undeclared work**. Beyond a given working week it becomes easier for workers to 'top up' their incomes. This is all the more necessary if there is no compensation for the working hours cut. However if this is not the case, wage and ancillary costs will increase and diverge still further from the low 'net level' of the undeclared workers. In both cases therefore the financial incentive and pressure increases and the threshold of inhibition is lowered. Similar considerations apply to early retirement.

The new forms of employment induced by technology such as teleworking are separating work from the undertaking in space and time, which makes surveillance difficult. The world of work is

becoming increasingly individualised and flexible. This makes it easier to evade lawful obligations and **reduces the scope for surveillance**.

In some countries there has been a visible change in attitudes towards regulation. Not only is tax evasion perceived as a mere peccadillo, **but undeclared work is increasingly perceived as normal**. Individually, this attitude is underpinned by ignorance of the law and by the minimal risk of any penalty. One study has shown a parallel between the decline in fiscal morality and the increase in undeclared work.

III. The impact

At macro-economic level: If we consider the volume of undeclared work, its significant, albeit unfortunately unmeasurable, negative influence on budget - health insurance; pensions insurance - and accident insurance revenue is obvious. If services are to be maintained, lower tax revenue and social security contributions have to be offset by tax and contribution increases, which in turn make undeclared work more attractive. This is described by the Commission and other sources as a vicious circle. Undeclared workers prevent the creation of regular jobs and put existing jobs at risk. Companies using that kind of labour profit from lower costs. The competitive position of companies using only declared labour is undermined.

At micro-economic level: Undeclared workers are not covered by unemployment or industrial accident insurance. Depending on the type of insurance system, they are not covered for sickness and earn no pension rights. They have no legal protection against dismissal and are not covered by equal opportunities -, industrial accident - or health regulations and unlike declared employees have no access to training or further training, have no opportunity for promotion or pay rises and lower prospects for progression in their vocation. Consumers, whether aware of the situation or not, have no consumer protection or right to claim compensation.

At political level: In general terms, the relationship with the authorities declines, as does any awareness of the damage done to society by undeclared labour and the exploitation of the solidarity of others it entails.

The right to freedom of movement (especially in the construction sector) is being used by many (with the generation of undeclared work, bogus self-employment and subcontracting) in such a way as to evade national regulations and avoid paying tax or contributions either in the host or home countries. This element and that of non-Community nationals working illegally, constitute a relatively small proportion of the total volume of undeclared work.

However, these two categories are frequently touted by the media as a major factor in undeclared work and unemployment. This jeopardises public acceptance of European integration as a whole and increases xenophobia.

C. Conclusions to be drawn from the analysis

The terms undeclared work and shadow economy are at first sight easily comprehensible, but any **exact definition or demarcation** is not so easy. The extent of undeclared work is related to the regulatory system in the individual Member State, and analysis shows how much the employment systems differ, which makes a European definition even more difficult.

Action against undeclared work is an interdisciplinary task covering many policy areas (public finance, economic, industry, social, employment and justice). Undeclared work has a

substantial impact on action against unemployment in the Member States. It is rightly described by the Commission as a common employment policy problem.

One of the main problems is the collection of data. By definition, undeclared work is hidden from official and statistical scrutiny, which prevents the collection of exact data and means that the extent of the problem can only be estimated. In the European context data collection is also hampered by the varying definitions of undeclared work in the Member States and the use of differing statistical methods. Until this situation is improved and the problem examined in greater detail, any action to reduce undeclared work will be fruitless and the policy instruments available will be blunted.

The lack of concrete data has given rise to the myth that illegal immigrants, the unemployed and citizens of other Member States constitute the majority of undeclared workers. This image is based more on prejudice than facts. The Commission communication shows how undeclared work permeates our entire society. It is a socio-political problem. The largest category of undeclared workers comes from the multiple job-holders (about two-thirds). Undeclared work is therefore **primarily a labour market problem** and action to reduce the economic and social damage it causes should start here.

The Commission's analysis concentrates on the **economic** causes: high social costs, income tax and excise duties persuade undeclared workers and their employers or principals to operate outside the regular labour market. Regulatory and administrative burdens have the same effect. Action directed at these problems will do much to combat undeclared work.

The **cultural acceptance** of undeclared work will also need to be addressed. In societies where the link between State and the people is weak, there is a tendency to evade the law. If State services and commitments are seen as inefficient and non-transparent, support for legal forms of employment is inversely proportional to the costs to be paid. The tendency to play down the matter is abetted by the terminology used. Undeclared work is perhaps not criminal in content but the form of the activity is illegal depending on the rules of the country in question.

Market-oriented action can be directed against both **supply and demand**. In terms of time, the **causes can be attacked by way of prevention, or past activities punished by way of deterrence**, and better monitoring systems introduced. Surveys have clearly showed that **tackling the causes is more important than stiffer penalties or improved surveillance**.

Most action can be taken only at **national level**. What is required is an appropriate **policy mix**, involving the actual application of existing provisions, better surveillance machinery and a balanced mix of incentives to desist and deterrents. The social partners and trade associations should be fully involved in the decision-making and if possible in the monitoring process. Their practical experience will be vital in devising, introducing and applying appropriate and effective measures.

The **EU's main role** in action to combat undeclared work is **to provide information and support for action** at the various national levels in the Community. One initial step might be to ensure that comparable data is collected in the EU under the aegis of Eurostat.

A second step would be to create structures for the exchange of information and examples of successful action against undeclared work between the political decision-makers at all levels.

An examination of the various national approaches clearly shows the lack of success when faced with **cross-border cases**. Although they account for a relatively small proportion of the volume of undeclared work in Europe, joint European solutions in this field are essential, as the internal market between the Member States is intensifying and eastwards expansion of the EU will aggravate the problem.

D. Selected examples of action against undeclared work

The following examples include measures specifically directed at undeclared work some of which have had that effect as a by-product. Some of the measures exist in several European countries:

Finland: Tenders for public contracts must include documentary proof of proper payment of taxes and social security contributions, together with a quality certificate issued by the 'Construction Quality Association'.

France: Notable for the establishment of an interministerial authority, 'DILTI'; comprising staff from various ministries involved, it coordinates all interministerial and international activities, prepares analyses and promotes cooperation between the social partners. There is also a ban on the awarding public contracts to persons convicted in respect of undeclared work. Current public contracts may also be terminated if certain grounds for suspicion arise.

Belgium: Administrative cost and high wage costs to casual employers can be substantially reduced by the 'service cheque' system. Certain types of work can be paid in part using these cheques, the cheque covering half the wage costs up to a maximum of 992 Euro. The employer and the undertaking involved have to be registered with the authority administering the cheques. The SIS card is an electronically readable combination of sickness insurance card and social security card. It has to be carried by all persons covered by social security in the course of their vocational activities whether within or outside the company's premises. The public data on the card may be used when checked by the social security and tax authorities. Denmark has a similar smart card offering national authorities extensive monitoring capability.

Denmark: The 'home service programme' is designed to achieve a similar purpose as the service cheque system described above; special domestic services for older persons and large families are subsidised at a rate of 50% of the invoiced value. Such work is restricted to specially registered firms. Checks are carried out by the social partners.

The Netherlands: In the construction industry, a strict liability system has been developed for general/main contractors. The companies working together also form a 'chain of liability'. Where tax, social security or collective claims against one link of the chain have not been met, the undertakings are in practice jointly and separately liable. To limit liability the general contractor may restrict direct payments to subcontractors by making payments for social security contributions and taxes owed by subcontractors into blocked accounts and the like. Belgium and France have also introduced joint liability arrangements for the construction industry.

Reduced VAT rates

Some countries have tax concessions for sectors particularly prone to undeclared work. In late February this year the Council finally adopted Decision 2000/185/EC authorising Member States

to apply a reduced rate of VAT to certain labour-intensive services. Every Member State is authorised at its own discretion to apply a reduced rate of VAT to two or three out of five specified service categories. Countries which had expressed interest were able to apply the directive from 1 January. In the meantime, Belgium, Spain, France, Italy, Luxembourg, the Netherlands, Portugal and Greece have availed themselves of it.

Examples in employment policy plans of action

The Council has included undeclared labour in the deliberations on the renewal of the employment policy guidelines (written answer to Question H-0692/98) but has not reached a satisfactory conclusion.

Analysis of national employment plans of action has shown that in most of them references in individual guidelines are formulated in such a way as to show the problem as an employment policy problem. The causal relationship between unemployment and the growth of undeclared labour does however point to the fact that certain primarily employment policy activities are incidentally also being regarded as action against undeclared work.

Special measures have been aimed at highlighting undeclared work and transforming it to normal working conditions by various forms of wage subsidy (Portugal, Italy and, indirectly, Denmark), stepping up surveillance machinery and activities (Portugal, Germany, Luxembourg, France), stepping up penalties (Germany), improving the exchange of data between authorities (Germany, Austria, Luxembourg, the Netherlands, Denmark), making contractors more liable for subcontractors (France), taking account of offences in the granting of wage subsidies to undertakings and public tendering procedures (France). In Greece, non-Community nationals working illegally are apparently the main problem, and new legislation has been introduced for special working conditions (teleworking and homeworking).

25 November 1999

OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND EQUAL OPPORTUNITIES

for the Committee on Employment and Social Affairs
on the Commission Communication on undeclared work
(COM(1998) 219 - C4-0566/1998 - 1998/2082(COS))
Draftsperson: Maj Britt Theorin,

Dear Mr Rocard,

The Committee on Women's Rights and Equal Opportunities considered the above Commission communication at its meeting of 11 October and 9 November 1999.

At its meeting of 25 November 1999 the committee adopted the following amendments⁶ and calls on the Committee on Employment and Social Affairs to incorporate them in its motion for a resolution:

1. Emphasises that, while women overall are not over-represented where undeclared work is concerned, when compared with men they nevertheless account for a far larger proportion of jobs in a number of areas of the labour market that are characterised by low skills, poor job security, low wages and low or non-existent social protection;
2. Emphasises that gender specific reasons for entering into and staying in undeclared work situations should be given special attention in finding remedies against this phenomenon. Positive measures enabling undeclared workers living on or below the poverty line to (re)integrate into the mainstream economy, must be given the highest priority.
3. Points out that a substantial number of women enter into undeclared work instead of official part-time work due to the fact that in certain Member States additional income is not taxed on an individual basis but is based on the marginal tax rate of households. Calls therefore on the Commission to take initiatives which will enable the introduction of the principle of economic independence for women and men indifferent of their matrimonial status, in the tax system of all Member-States.
4. Is of the opinion that more attention should be given to undeclared work in and provided by organisations and/or individuals falling under special international or bi-lateral agreements, excluding the application of specific national labour and tax laws often leading to new forms of slavery for mainly female domestic workers.

⁶ The following were present for the vote: Theorin, chairperson; Eriksson and Van Lancker, vice-chairperson; Buitenweg (for Hautala), Dybkjær, Figueiredo (for Fraisse), Ghilardotti, Gorostiaga Atxalandabaso, Gröner, Izquierdo Rojo (for Valenciano Martínez-Orozco), Karamanou, Klaß, Kratsa, Lulling, Mann, McNally, Müller E.F., Paciotti, Sørensen, Sornosa Martinez (for Rodríguez Ramos), Van der Laan und Zissener.

5. Points out that the generally weaker position of women on the labour market 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; points also to the resulting serious consequences for the career advancement of women; advocates information campaigns for those concerned about the risks and drawbacks of engaging in undeclared work and about the holding of factory inspections;
6. Points out that among illegal immigrants women are also particularly vulnerable because of the danger of sexual exploitation and urges the Member States to work in close cooperation in accordance with Title VI of the Amsterdam Treaty; considers statutory minimum protection of the basic rights of this category of persons to be indispensable if they are to be protected from exploitation;
7. Calls on the Commission to step up monitoring of compliance with the principle of equal treatment in the Member States and, in so doing, to make full use of the legal bases created by the Amsterdam Treaty; asks the Commission for an annual report on the progress achieved;
8. Takes the view that, in the interests of the individual, of a functioning labour market and of the affordability of social security systems, measures should be taken to promote the integration of undeclared work into the normal labour market, for example: adaptation of employment law, flexible working hours, reduction in tax burden and granting of separate social protection independently of the spouse's occupation;
9. Advocates the promotion of training targeted on women in the areas of science and new technologies, in particular information technology, the creation, promotion and official recognition of job descriptions and structures in segments of the labour market traditionally occupied by women as well as financial support for the establishment of businesses by women in the mutual sector too.

Yours sincerely,

(sgd) Maj Britt Theorin